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DECADE

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THE TAX SQUEEZE



One stark message pierced the Commons furor over last week's budget leak: taxpayers and consumers will bear the brunt of Ottawa's crusade to contain the deficit. And the burden will get even heavier in future years.



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CANADA'S WEEKLY NEWSMAGAZINE JULY 8/1991 NO. 122 NO. 17

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COVER

OTTAWA'S BIG TAX SQUEEZE



Michael Wilson spent months trying to prepare Canadians psychologically for one of the most inflationary budgets in the country's history. His 15-page budget speech had been rewritten again and again to reflect the impact of spending cuts and steep tax increases. But last week's breach of budget secrecy threw the government's orchestrated publicity pincer into disarray. — 10

SPECIAL REPORT

THE THATCHER REVOLUTION

On her 10th anniversary as British prime minister, Margaret Thatcher has much to celebrate. She has helped to forge a more competitive Britain and to set a conservative agenda worldwide. And while she has never been popular personally, there are no signs that she is backing down—or slowing down. — 30



THE ARTS

CULTURE IN CRISIS

It is a time of upheaval for Canada's cultural sector, with many artists living in poverty and cultural institutions strapped for funds. The federal budget continued still more bad news—increasing the pressure on Communications Minister Marcel Maréchal to reverse the artistic community. — 58



LETTERS

REMAINING BARBERS

Regarding your cover article "Call to freedom" (April 13), after four decades of Poland's continuous struggle to free itself from Moscow's shackles, how can we believe now that the call is genuine? People are tired of the suppression of freedom and of the low standard of living. There is hope, but without the West's substantial help Poland cannot be expected to succeed. Even with Gorbachev's promise, there are certain hurdles, imposed in the 1970s by Soviet Russia's twisted complex strategy program, which goal was to create cultural, political and economic stagnation, ultimately resulting in a unified Communist state. It is easily that program which has brought Poland to the brink of economic bankruptcy.

Bolshoi Orchestra
Elsheike Gut

The implication of Solidarity—the first free trade union in the Communist world—after seven years of struggle started in Poland and other Eastern European countries is a new dawn of democracy and a free market economy. It is appropriate to remember now that Poland opposed totalitarian Germany in 1939, fought valiantly with the Allies during the war and was rewarded in 1945 by President Franklin D. Roosevelt's unwitting refusal of European Europe to the totalitarian regime of Stalin, Marx, the Soviet Union, communist victim of an imperialist attack, in addressing its own economic nightmare in which it served as Eastern European satellite country. Present antagonism of Eastern European countries toward independence demands political and economic help of all Western countries, as related by President George Bush.

Zbigniew A. Cudzik
Toronto

JOINING THE CROWD

Regarding "Talking to the mob" (Canada, April 10), history is on the side of the Peterborough. By more or less recognizing the mob, however isolated, the Mulroney government has severely undermined the credibility Canada is like the last long-distance runner to cross the finish line, hours after everyone else picked up and went home. Better late than never.

Omair Shapagham
Scarborough, Ont.

SPORTING CHOICES

It was something of a shock to read of a "new ball" available on the eve of the Stanley Cup playoffs ("A game of chance," Sports, April 17). Surely the Stanley Cup weighs more



Solidarity's Andrzej Walicki

heavily on your reporting staff and to a greater extent than baseball? How tragic. How bloody Canadian.

Roger Fox
Peterborough, E.C.

MOVEMENT OF WASTE

A spokesman for Atomic Energy of Canada Ltd. assures us that we can now rely on a safe method of burial for nuclear waste:

"Feeding our fusion," Energy (March 21). The proposed deep burial "solution" translates to the mere movement of radioactive waste from point A to point B. The failure of atomic power as a popularly viable or even a properly informed public is in often suggested by the nuclear business. It is the fruit of a strategy technology administered by a deceptive, incompetent industry.

Anna Hansen,
Toronto

Your article on energy attempted to give both sides of the nuclear debate. However, your statement that "nuclear power has been sharply rebuffed" in Europe did not mention that nearly 90 per cent of the electricity produced in France comes from the nuclear option and that the British recently started construction of two large nuclear units, after a lengthy public review process. You could also have pointed out that the Canadian-developed CANDU units have a worldwide reputation for safety and reliability. Surely it is inevitable that new reactors are going to be built around the world, we as Canadians should ensure that they are built to the same high standards as are employed in our own Canada design.

Donald Jones,
Mississauga, Ont.

PASSAGES

SENTENCED: Kim Il-sung, 37, to death after conviction for the November 1967 bombing of a Korean Air Lines Boeing 707 that killed all 115 people aboard, in a Seoul court. Kim says that he helped plant the explosives in part of a North Korean plot to disrupt the 1967 Olympic Games, but North Korea denies any involvement. Kim and his wife were left the plane during a stopover at Mao Zedong's home in Beijing in 1967. Later, when authorities approached the couple after the plane had landed near Hanoi, they both professed complete ignorance of the bomb and within hours in return for their cooperation against North Korea, South Korean officials say that their death sentence was rescinded.



ASSIGNED: Conductor Herbert von Karajan, 81, named by critics as one of the greatest living conductors, after 34 years as chief conductor and artistic director of the renowned Berlin Philharmonic Orchestra, citing fading health and disputes over his role with the company. The Australian conductor, who has made more than 900 recordings, came to prominence in 1938 in Hitler's Berlin, where his membership in the Nazi party helped him career.

REASSIGNED: Four-time Academy Award-winning composer André Previn, 60, as music director of the Los Angeles Philharmonic, two years before his contract was due to expire, citing irreconcilable differences with the orchestra's musical point.

DIED: Ilkka Oksanen, 94, the legendary Japanese entrepreneur who developed Japan's first worksheds into the world's largest maker of consumer electronics, in hospital after his home in Osaka. Oksanen began work at 9 and in 1948 established the Matsushita Electric Industrial Co., which today makes more than 14,000 products, many under the Panasonic label, and employs 100,000 people worldwide.

DIVIDING: E.T. and Jean director Steven Spielberg, 43, and actress Amy Irving, 26. Spielberg, whose most recent movie was 1983's *Empire of the Sun*, and Irving, star of the 1980 musical *Grease*, divorced, entered in November 1985, five months after the birth of their son.

LETTERS

FRAGILE NATURE

The ecological disaster of the oil spill near Valdez, Alaska, is but one example of man's arrogance and indifference to the fragile nature of this planet's ecological system ("Tragedy on a reef," Environment, April 30). Who else could be so presumptuous as to believe that such huge quantities of oil could be transported safely through ice-filled waters that at best are unpredictable and treacherous, without having in place a workable backup plan to clean up any spills that may occur?

Richard Nicholson,
Edmonton, Ont.

TAKING FLIGHT

Barbara Amiel took flight with a number of bureaucrats and disbarments in her April 18 column dealing with a sexual harassment case at the University of Toronto ("Herb's looking at you, isn't?"). First: that persons charged with sexual harassment have no opportunity to make a full response to the charges against them. Fact: all proceedings are conducted according to the Statutory Powers Procedure Act of Ontario. The burden of proof is on the complainant. Both the complainant and respondent have the right to legal counsel, to present evidence, and to call and cross-examine witnesses. Fact: that the chair of the panel would prefer a "perfect case scenario"—or, that she endorsed a closed hearing against the wishes of the participants. Fact: the participants may request the hearing be closed. The proceedings in question were closed at the request of the person charged. Fact: that the University of Toronto has a sexual harassment policy. Fact: the university employs one sexual harassment officer and one secretary. The people who sit on hearing panels and decide how to handle their case in accord. This is hardly an industry.

Peter Wilson,
President,
University of Toronto Faculty Association,
G.E. Caswell,
President,
University of Toronto

ACCEPTING CUPS

I commend Diane Parsons for her column "Back to a chilling financial future" (April 17). It should convince Canadians to accept substantial spending cuts and tax increases as measures to slash the deficit—and ultimately the debt—while taxes are paid.

Omair Shapagham
Scarleton, Ont.

Letters are edited and may be condensed. Writers should refer to the style guide on page 100. Most letters are written by the Editor. Letters are published at the discretion of the Editor. If you wish to be published, please send your letter to: Editor, The Canadian Press, 1111 Bay St., Toronto, Ont. M5G 1A7.

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OPENING NOTES

A radio network returns Exxon's cheque, *New York* slams E. Graydon Carter, and Jean Doré works out at the YMCA

COUNTERESPIONAGE

In its May issue, *New York City's* spy magazine features a billing expose of one of the city's leading socialites, Jean Trump. In a 12-page article, *Spy* examines aspects of Trump's colorful past—including a relationship with a Montreal ski retailer which preceded her 1977 marriage to billionaire developer Donald Trump. But at the same time *Spy* was publishing that article, editors at rival *New York* magazine released their examination of another local personality: Canadian-born editor of *Spy*, E. Graydon Carter. In the original article, *New York* scrutinized accomplishments which Carter listed in a 1985 letter to potential *Spy* investors. Carter claimed that he had written speeches for former prime minister Pierre Trudeau, and that he had received an arts degree from Ottawa's Carleton University. Carter acknowledged to *New York* that he had never been Trudeau's speech writer and that when he said university he was "a couple of credits short" of a degree. *New York* can be tricky.

Carter scrutinizing a local personality's past



Photo: Robert G. Schuchman

Dousing a fire with gasoline

The *Alaska Public Radio Network* (APRN), a group of 24 nonprofit radio stations, has been praised by many Alaskans for its extensive coverage of the biggest story in the state last month: the ecological danger posed by a mine-er oil spill that occurred when a tanker ran aground near the port of Valdez on March 24. Indeed, state legislators are considering a motion authorizing a special grant to offset the cost of APRN's special coverage. But that motion is expected to receive legislative approval for several weeks. And in the meantime, APRN officials had to respond swiftly to an embarrassing conflict that arose when a donation to help offset APRN's oil spill coverage costs came from an unlikely source: Exxon Corp. the owner of the tanker tanker. Declared APRN executive director Diane Kopp, who retained the \$35,275 cheque with



Oil spill cleanup developing with haste

thanks: "Exxon regularly underwrites our programming, but under the circumstances it would have been inappropriate for us to accept that cheque." Oil money and news coverage of Alaska's troubled waters do not mix.

THE TEST IS IN THE TASTE

Seizing prices for Quebec couple's spy—which now retails for about \$40 per gallon—has stimulated a potentially lucrative criminal activity: peddling fake spy. Indeed, police in Sherbrooke, 90 miles northwest of Montreal, recently charged two men with fraud after a buyer complained that they had sold him two one-pint tins containing a "spicy looking" used motor oil. According to Sherbrooke Det. Jean Ferreault, the two men had sold a can of oil for \$25 each from a 363-lb batch of fake spy before they were arrested. Luck can be deceiving.

FIGHTING OVER A CERTAIN LOOK

Personnel disputes may be the secret form of getting—but it is also an issue in a lawsuit that pits Time Inc. against Montreal-based Globe Communications Ltd. When the May issue of *Globe's* three-year-old *Celebrity* Plus magazine went on sale across the United States and Canada, lawyers for Time Inc. argued that its new cover design infringed on *Globe's* distinctive elements. *People* magazine as the typhoon of the logo and the layout of the front cover. Time Inc. allegedly an agency covering the sale of *Celebrity* Plus and the magazine changes its cover design. But Paul Lefebvre, a New York City lawyer who is representing *Globe's* U.S. Federal Court, told that Time Inc. is simply trying to squeeze *Globe* out of the market. Sherbrooke *People* spokesman Henry Wagner: "It's clearly a knock-off when you put the two side by side." Later this month, a judge will decide if the two magazines will continue to occupy that position on the newsstands.



People (left) *Celebrity Plus* (right) and *Globe's*

A waiting list at the YMCA

YMCA's sports club once had an image as second-best alternative to more pros, upscale recreational facilities. But a membership that includes provincial politicians, such provincial politicians as former communications minister Richard French and Mayor Jean Doré in transiting the Y in Montreal's Gay Farme office complex into the place to work out. Indeed, more than 100 people are waiting a victory in order to chase up beside such outdoor as Doré regularly plays a scoring game of basketball at the Y. Flower workers could report power breakdowns in Montreal.



Montreal cocaine bust: shadowing smugglers

PERSONAL BELIEFS IN THE PRESS

Linda Greenhouse, a *New York Times* reporter, recently joined a Washington, D.C., news march in support of abortion rights. Several Washington *Post* reporters also marched—and those displays of personal beliefs have revived a journalistic debate that has raged during the Vietnam War. Indeed, the *Post* invoked guidelines that date from that era—barring the reporters from covering abortion-related stories. Declared *Post* managing editor Leonard Downie: "A reporter should not become an actor in the news." The *Times* has similar rules, but Greenhouse can write about abortion—provided that she does not take part in any further demonstrations. The *Times* and *Post* reporters accepted those restrictions—without protest.

A new antidrug squad

Members of an interdrug squad burst into a Montreal apartment last month and made the biggest cocaine seizure in Canadian history—1,180 lb. at the drug, worth an estimated \$250 million. That haul—and the arrests of 14 people in Toronto and Montreal—marked the culmination of Operation Amigo, a three-month-long joint venture linking 40 U.S. and Canadian law enforcement agencies. And, according to one *Washington* official, the officers who discovered a smuggling ring that allegedly flew the drugs from Columbia to Canada had access to data from U.S. spy satellites and international telephone taps. Those powerful tools are employed by a highly classified new unit that William Webster, the director of the U.S. Central Intelligence Agency, is still assembling in CIA headquarters in Langley, Va. Known as the Director of Central Intelligence's Counter-Narcotics Center, the new unit will include representatives from such U.S. agencies as the Drug Enforcement Administration, customs, the Federal Bureau of Investigation, the National Security Agency and the defence department. And after the clear success of Operation Amigo, U.S. agencies say that Ottawa will soon appoint a full-time liaison officer to the new drug smugglers' bureau.

PROMISES OF HIGH FIDELITY

In 1967, a New York City film company introduced a novel



Tuck a date with a difference

line of video-tapes—mixing *Videx*, *Bliss* and *Videx* Day—for consumers who sought the intimacy of domestic life without the accompanying emotional of adult film children and pets. Now a firm called *Bliss* to Fantasy Films of New Hope, Pa., has taken electronic relationships a step further: a 22-minute tape entitled *Videx* *Girlfriend*. U.S. actress Jessica Tuck plays Debbie, a dream date who sits on her back exclusively for all camera's court—the scene—throughout an evening of dining and dancing. The \$18 video even shows Debbie as she enters a bedroom, then suddenly cuts to the following morning, when she promises sweetest fidelity. Debbie: "I'll be with you forever." You all have to be in the tape. *Bliss* is now getting requests to make the film tape: *Videx* *Girlfriend*.

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COLUMN



Hookers aren't the only ones for sale

BY BARBARA AMIEL

Pauline Border is a delicious force, though she does look a tiny bit thick through the sides and trunk. All the same, her appearance was quite enough, together with her Ugandan origins and Yves Saint Laurent accessories, to do rather well for her in London. An excellent model, Border captured the attention of at least two national newspaper editors, one Tory cabinet minister, a handful of South prices and a gross of lesser mortals. Her well-publicized downfall came, of course, when she was taken in by a reporter from the tabloid *Pinkie* of the *World* and a London hotel room agreed to offer her the Great Sexual Mystery for a straight fee of about \$1,000, for \$2,000, delights that good taste forbids her to reveal to readers. That said, Pauline Border and her brief sojourn in London society.

And what could possibly better material for that combination of self-righteous puritanism and general vulgarity called a British tabloid newspaper than the story of a woman getting her ass caught? For my part, I was transfixed by gross revelations of Pauline's schedule as in, "On one occasion she entertained three ladies to a sexual massage" or "Pauline did as she was told and was taken to the power's bedroom where she performed the requisite act of her." Also, all reports were rather like it came to the psychological aspects behind Border's various career moves.

Spokeswoman, what really baffled me was the ease with which Pauline took part in acts described by the *Daily Mail* as "of a particularly degrading nature." I am not entirely sure what these acts may be, although I suppose lechery and coprophilia come to mind. But, after considering the matter, I have a certain doubt about both the pseudoscientific and concrete that Border's behavior has evoked. It seems to me that the outcry over her release will pass as much about the act-debates that may ensue as it is about Border's own sexuality.

What, after all, is merely depending on

Is there something especially immoral about prostituting one's body in order to finance one's ambitions?

Pauline's behavior? When a man picks up a \$20 whore, one of the first declarations he may hear is the self-righteous statement, "I don't do body work!" But there will also be a number of girls who will do that sort of business, and a number of them who may enjoy it. A body act can only be called an act of degradation if you don't like it. If a woman wants to work in rubber boots and high-heeled shoes walking all over men and paying them to do it, it would make little sense for her to turn around and say he was degraded by the experience. If Pauline has a few small taints encompassing a genuine range of behavior, then it is unlikely that she was particularly degraded.

More to the point, I can't blame Pauline for capitalizing on her assets. All the prostitutes I have met have had one quality in common: they have certain financial ambitions but they have no other skills with which to satisfy them. But is there something especially unusual about prostituting one's body in order to finance one's ambitions?

Like speech or much of us to dissemble or misrepresent. A man who is at advertising now—under a normal, editorial writer, politician or schoolteacher—may feel himself selling the virtues of a political program or

marketing a product in language that, if left to his own devices, he would never use. An author may put aside the work in which he believes in order to write a book that will make lots of money. A lawyer has a duty to ignore his own moral values in favor of representing his client's cause.

There is nothing wrong with that, after all it is just the way the world works. But in all these transactions we give up something that is essential to us, namely our thoughts and emotions in exchange for economic benefit. The only small point I want to make about the matter is this: our God-given intellectual powers and reasoning ability are the sole qualities that separate humans from brutes. Dogs, like us, after all, have sexual organs. So, when we sell our minds, we are prostituting the one aspect of us being that is irreducible and unique by human. And when we simply put prostitutes for our sakes, we seem to be saying that sexual organs are more important than the mind. As well, I must say that I find it a bit odd when our judges, who are often on the bench themselves after certain shattering cases in which they may not believe in crime but economic benefit look indulgent at a woman who commits a man for similar reasons.

There is nothing new about Pauline Border, of course. There always have been a number of men and women who had very little going for them except their bodies and the opportunity. Once they discovered that they could get rich by the sexual and economic goals they wanted to reach through the venue, well, they concentrated on having related skills. The women are extreme about reliable and have been to give the perfect message. Pauline, I gather, was into cowboy boots and few-to-emerge courses as well. Men in the same genre category, I suppose, give their all to tennis legends and the such.

It occurs to me that I spent my early years working among other people, in a casting factory at Gilmour City, and looking, in retrospect, I can see the point in Pauline's move. I remember how extremely unpleasant it was to get pushed back in the cars we all quickly acquired on hands and wrists. But I suppose the degree of unpleasantness is very individual. Pauline with the same choice today, I would have to be the E. D. Smith gay factory once again.

I can't pretend my choice would be far more ideal. It would surely be a time that I could tell one of my employees, and I think, with my day I would tell one of my employees. And if I dig deep into my emotions, I think I know why we are all so lazily outstretched by sexual prostitution.

The sexual act is, after all, the act of creation. There is something truly amazing about the fact that a male and a female make love, as it were, and create a human being. No matter how many times the act is performed, one is still in awe of the potential in its strange, mysterious way, we all know that whether it is done for love or for money, for pleasure or for some other external or even internal key to our nature being. Even that of the bewildered and pious Mr. Border.

THE TAX SQUEEZE

A BUDGET LEAK
BRINGS THE GRIM
ANNOUNCEMENT OF
TAXES AND CUTS
A DAY EARLY

It was a few minutes before 7 p.m. last Wednesday, less than 24 hours before Prime Minister Michael Wilson was due to lift the veil of secrecy from his long-awaited federal budget. In a boardroom in Ottawa's Langevin Block, the formula-like nerve centre of Prime Minister Brian Mulroney's Conservative government, senior officials huddled to complete the arrangements for the next day's proceedings—"just crossing the t's and dotting the i's," as Wilson's press secretary, Richard Rinfeland, later recalled. Suddenly, a colleague knocked into the room with heart-stopping news: at that very moment, Global Television reporter Doug Snell was broadcasting live from Ottawa, warning in his loud a-buzzer that snafus virtually every significant budgetary measure, from reductions in Via Rail subsidies to a special deficit-cutting surtax on oil-refined taxpayers. Said Rinfeland: "When we heard that, we knew right away it was going to be a hell of a night."

For Rinfeland's boss, the news could hardly have been worse. As the man responsible for leading the government's attack on the \$25.5-billion deficit, Wilson had spent months trying to persuade Canadians psychologically for what he and his officials knew would be one of the

most inflammatory budgets in the country's history. His 15-page budget speech had been reworded again and again to soften the impact of spending cuts and steep tax measures by emphasizing the extent to which Ottawa's huge and growing public debt threatened Canada's economic future. But last week's unprecedented breach of budget secrecy threw the government's carefully orchestrated publicity plan into disarray. Only three hours after Global's disclosure, a grim and obviously tired Wilson took a shortened session of his speech at a heavily riled news conference, then drove off into the night while aides distributed thick bundles of budget documents to a crowd of reporters and MPs.

Wagat: Wilson had expected to have to defend his budget but assumed he spent much of the next day fighting to save his political career. Both the Liberals and the New Democrats demanded his resignation, claiming that—*even if they, at least—the alternative obtained by Global could have been used by*

Term: other documents on the issue?



senator/parliamentarians to track up alleged profits on the stock market. But Prime Minister Brian Mulroney noticeably downplayed those demands, adding that even if Wilson had suffered his resignation, "I would have taken it down." Paradoxically, the opposition's assurance that Wilson pay the price for an apparently criminal act had barely worked in the government's favor, generating public sympathy for a minister whose belt-tightening policies were sure to arouse widespread opposition. But the focus of attack quickly shifted to the substance of the budget. "The combination of spending cuts and tax increases prescribed by the Tories was described by some critics as harsh and unfair, by others as too little, too late."

Quarter: In fact, there was evidence to support both views. Wilson's budget slashed \$2.5 billion from general federal spending during the next fiscal year, in part by raising military purchases (page 109) but also by shoring such politically popular initiatives as a proposed oilfield child care program (page 112). In addition, Ottawa will collect another \$3.7 billion in revenues, including increases in corporate and personal income taxes and higher levies on tobacco, alcohol and oil imports. The measures came after months of statements from the government about the need to restrain the national debt. But, in spite of these measures, Wilson predicted that the federal deficit would actually rise this year, to \$30.5 billion—on total spending of \$142.9 billion—largely because higher interest rates have



Wilson at the Commonsense even with the harsh budget measures, a bigger deficit

increased the cost of servicing the \$221-billion national debt.

This combination of reduced government spending, higher taxes and a higher deficit virtually guaranteed that Wilson's proposals would meet with widespread disapproval. Ruth Robinson, president of the Consumers' Association of Canada, labelled the budget "a disaster" and complained that individual taxpayers were being forced to pay "more from their five stores" to fight the deficit. Meanwhile, the government's leading welfare advocacy group, the National Council on Welfare, said that Wilson's decision to tax back family allowance and child age benefits from some high-income Canadians would put "the beginning of a cycle of poverty for many and more families and provinces." And Anne Carleton-Went, executive co-ordinator of the Canadian Day Care Agency Association, accused the Tories of reneging on a pre-election promise to increase the number of subsidized day care spaces. She added, "Families are left out in the cold by this budget."

A vocal conservative who doubts and risks Wilson's decision to expect forces to retreat from interest groups that want increased government spending, but perhaps more significantly, his budget drew criticism from individuals and organizations that previously have been among his most dedicated supporters. On Bay Street, the consensus was that the finance minister

had missed his chance to make sweeping cuts in the size of government. "Said George Selos, chief economist for Montreal Trust: "Despite all the prebodies hope the annual deficit has given up, not even, and we are not raising issues where we should be cutting spending." Laurence Ethelberg, president of the Canadian Manufacturers Association, also complained about Wilson's failure to restrain spending further, saying, "It is like you had three sports cars and you decided you would cut back by not buying a fourth car. That is not really cutting back."

Delivering: At least initially, those concerns were overshadowed by the drama of last week's budget leak. Indeed, as the story unfolded, it became apparent that there had been not one but several attempts to release budget information in advance of Wilson's scheduled speech before Parliament at 5 p.m. on Thursday. The Toronto-based Globe and Mail reported that an unidentified person had telephoned one of its journalists on Wednesday and told him that the government was about to cancel plans to build a new \$150-million headquarters for Transport Canada—an information that was contained in the budget package. And The Ottawa Citizen quoted an anonymous source who claimed that details of the budget had been read to him over the phone on Tuesday by a friend who was a public servant. The fund is reported to have said that his

National Notes

BATTLE ON THE PRIME

Sealcoater with relief: Conservatives and the opposition New Democrats battled in newspaper and radio advertising and speaking engagements over the government's plan to privatize the province's electrical utility. The legislature had been at a standstill since April 23 when the NDP refused to return for a vote on the privatization bill.

SUPPORT FOR 'ZERO TOLERANCE'

Revenue Minister Gino Trillat said that he supports a "zero tolerance" drug program for Canada. The program would be similar to one in the United States under which thousands of vehicles and boats have been confiscated from people caught with even small amounts of banned substances.

CUSTOMER CUTOFF

Newfoundland premier Clyde Wells said that he would not insure a government loss of credit for the controversial Spring croqueters greenhouse complex, which has been an embarrassing waste. Marsh also receiving \$22 million in provincial funds during the past two years. The venture was an issue in last month's Newfoundland election campaign.

STORMED THREATS

Former Canadian steel-pipe Peter Duggan said that Canadian Truck and Trail Association officials announced last for competition last summer after he threatened to expose insider Ben Johnson's sexual use in the media. Duggan, who testified at the Dublin inquiry into drugs, was suspended for stormed steel in 1988.

INVESTIGATING SIX ABUSE

One week Newfoundland's grant was charged with a sexual offence involving a boy, bringing to 34 the number of previous grants and other members of the Catholic community who have been charged with sexual abuse in the past two years.

CUT OF THE GAZE

Simon De Jong, a New Democrat's Party MP from Saskatchewan since 1970, announced that he planned to run for his party's leadership and become the first candidate to declare his intentions at the race to replace leader Ed Broadbent at a convention in Winnipeg in December.

ENVIRONMENTAL GAMBLE

Ontario Premier David Peterson's government promised in its speech from the Queen's throne a history—Conservatives help pay for environmental programs.

THE OPPOSITION'S ATTACKS MAY HAVE CREATED PUBLIC SYMPATHY

brother had been given the document by someone who worked at the plant where the budget had been drafted (page 14).

Both these cases, however, came to light only after Wilson had released his budget. So did neither disclosure succeed, at about 2:40 p.m. on Wednesday, a man telephoned CIBC-TV, the local CTV network affiliate in Ottawa, and told acting assignment editor Michael O'Byrne that he had a copy of the budget and was willing to sell it. O'Byrne put the caller on hold, consulted with his boss, news director Max Keegan, who told O'Byrne that the station had a "hard sell" policy that forbade reporters from paying for information. Informed of Keegan's decision, the caller politely said goodbye and hung up.

Hours later, then, a local Globe TV business reporter Paul French received a telephone call from a man who also claimed to have advance information about the budget. French, who works at the network's Toronto news room, and that the man had called Globe on a toll-free line from Ottawa and that he stayed on the line for about 30 minutes. "He asked me right off the top whether we paid for stories and I told him we didn't," French recalled. "But he did not seem to mind. He started reading from some document he had while I took notes. I never asked him his name or telephone number because I did not want to scare him off."

Later that afternoon, Small, Globe's Ottawa bureau chief, telephoned Riddell to ask whether the budget details received by the network were accurate. Riddell knew that they were, but tried to discourage Small from using the information by saying that there were many unsubstantiated rumors about the budget circulating in the capital. Still, Riddell was sufficiently worried to call Wilson, who then alerted Mulroney and Deputy Prime Minister Donald Mazankowski. At 5:50 p.m., just 10 minutes before the House of Commons was due to adjourn for the evening, government House leader Douglas Lewis entered the chamber and asked for all-party agreement to avoid the harts of debate. Lewis's strategy was to keep the House adjourn until the government could reveal what the leak was genuine, in which case Wilson would introduce his budget immediately. But opposition MPs turned down his request.

At the Lagimodier (lock, Wilson's sales tax) in St. John's, Newfoundland (Globe) network, a 6 p.m. newscast, broadcast to viewers in Ontario and Quebec. At first, they were relieved to discover that although Small was reporting the existence of a possible leak, he was not repeating any details, and they turned their attention to their planning meeting. Said Riddell: "I thought, 'Oh God—it looks like we don't have anything to worry about.'" But minutes after

Small went off the air, the source of the leak telephoned French again to ask why his information had not been used. He then offered to supply the network with a copy of *budget in Brief*, a 28-page booklet that summarized the budget's contents. With that, Small arranged to meet the man at a west-end Ottawa gas station, where he collected the document and rushed back to the television studio as time to appear on the newscast again, shortly before it ended at 7 p.m.—this time with great effect.



Small underwent an Ottawa gas station

look in his hand. Small quoted from the document and predicted that it could "cost Finance Minister Michael Wilson his job."

Briefly: Mulroney, however, clearly had no intention of succumbing to Finance Minister. By 8 p.m., the Prime Minister and his senior ministers and aides had decided to release the full budget that night to minimize the possibility of anyone gaining a financial advantage from its contents. Dayle Lewis, announcing a full constitutional review of the leak by a special unit of the RCMP. "There has been a breach of security. Our responsibility once that happens is to get it out." In fact, most constitutional experts agreed with the government's approach. But both opposition parties argued that parliamentarians broken debated that Wilson should step down and allow his successor to present a new budget. Said Liberal leader John Turner

"How many more of these documents have been floating around, and for how long? The integrity of the system demands that no one receives inside information from a budget."

The opposition kept up that line of attack throughout the remainder of the week, but Wilson showed no sign of losing his resolve. Indeed, many business leaders were quick to rush to his defense, suggesting that Wilson's resignation would weaken stock markets and weaken the value of the Canadian dollar. Nor did Wilson appear disturbed by criticism of the harsh measures contained in his budget, arguing to the Commons that the future economic health of the country depended "on the will of the government to continue making tough choices." Added the minister: "We do not act now, we will face a growing danger of higher inflation and even higher interest rates. This could lead to a severe recession."

At week's end, the government released its detailed spending estimates for the 1989-1990 fiscal year, which showed that total federal spending will rise to \$143.9 billion. That figure is almost \$10 billion more than Ottawa spent in the previous 12-month period. Even so, the Tories plan to cut the equivalent of 1.973 full-time jobs from the federal public service, shrinking the bureaucracy to the same level that existed in 1973. The government also announced cuts in its foreign aid budget—and in a move that provoked an immediate backlash from several partners—a reduction in the rate of growth of its payments to the provinces.

Conclusion: As unpopular as some of those measures were, some observers wondered whether the government had actually gone far enough to restrain the growth of the deficit. But Calgary Tory MP Lee Richardson, for one, suggested that Wilson's decision to lean more heavily on tax increases than spending cuts was fairly sound in political expedience. Said Riddell on "Canadians have come to count on government programs. So raising taxes is not only the most palatable way of cutting the deficit, it is the correct." More over, even the limited cuts that Wilson has proposed seem certain to attract widespread controversy. An *Albion* poll at it: "We have just downed or reduced 14 military bases. That means 14 ridings are going to scream. Don't you think that causes political pain?" Consider or not, only three of the bases that will be shut are in ridings now held by the Conservatives. Besides, as Wilson well knows, the Tories came out worst in 1980 at the house before facing the voters at another general election. The government's narrow mandate last November clearly gave it the confidence to act—regardless of the short-term political consequences.

ROSS LAMER is in Ottawa

You don't have to flaunt it...

A SECURITY ALARM

IS BUDGET SECRECY POSSIBLE ANY MORE?

Two days after Finance Minister Michael Wilson's budget was leaked last week, a well-known stringer accused Michael Sharp on an Ottawa street corner: "It would never have happened if you weren't there," accused the man known by the Sharp. "I, the architect of these Liberal budgets from 1986 to 1988. Sharp agreed, but the reason had little to do with more stringent security during his years in power. "In any day," he noted, "we did not print thousands of promotional documents in advance so we could begin selling people on our budget. This leak happened because governments are preoccupied with their sales job."

True. Indeed, the document leaked to Global Television's Ottawa bureau chief Doug Small, which touched off last week's budget furore, was one of about 100,000 copies of a slim, 28-page pamphlet titled *Budget as Any?* It was part of a package printed by the finance department to explain Tory plans to reduce the deficit as well as to highlight the government's taxation and spending proposals. And in the wake of the leak many critics argued that it was unrealistic to expect federal budgets to remain secret at all. Just Jack Martin, a former Ottawa-based economist who worked as one of Wilson's personal budgets: "If you want to get budget information out to undermine the process, it is not difficult to get a document out of the finance department and surreptitiously take it to the press. It is amazing that this has never happened in the past."

Wilson was not the first finance minister to have his budget overshadowed by a controversy unrelated to its contents. After it was revealed that private consultants had helped Liberal Finance Minister Martin Gordon draft his 1983 federal budget, Gordon offered his resignation to Prime Minister Lester Pearson—who turned it down—and later was forced to withdraw the budget. More recently, Liberal Finance Minister Marc Lalonde was embarrassed in 1983 when a television camera showed his budget's deficit figure during a picture-taking session at the eve of budget day. Hours later, Lalonde added another \$100

million to the government's spending to justify his claim that no leak had occurred.

After last week's leak, the RCMP set up a special squad to investigate how someone got the budget past security. The squad's first focus was the National Printing Bureau, a 34-year-old, three-story building in Hull, Que.,

see "Security officers oversee every aspect of this year's budget printing, Schröder added.

Although there was no official report on where last week's security breakdown occurred, it appeared to have happened during the printing or distribution of the documents. But it prompted critics to question the entire



The government's National Printing Bureau in Hull, Que.: a million budget-related documents

where the budget was printed. Almost 200 workers had security clearances giving them access to the three-story premises, where an estimated one million budget-related documents were printed during round-the-clock shifts that began on April 23. The documents were then loaded for shipment to 24 distribution centers across Canada. From there, the documents went to be released as soon as Wilson rose in the House of Commons on April 27 to deliver his budget speech.

Last. According to opposition MP, the leak was proof that the government's budget security had been lax. Among the charges levelled in the Commons last week that employees handling the budget were not sworn to secrecy and that precautions were not taken to prevent the documents being read during printing. But a spokesman for the department of supply and services said that procedures were the same as they had been since security at the printing bureau was tightened seven years ago. Says Anne Schröder: "The printing bureau was formerly not as secure as it is

today—making process. Some, including Commons finance committee chairman Donald Boudreau, questioned the need for absolute budget secrecy in the first place. Instead, Boudreau suggested that the American system of debating the budget publicly—and usually spending it—would reduce the risk of people sniping a financial benefit from privileged access to budget details.

And at least one other former finance minister echoed Sharp's view that the political desire to promote the budget had overtaken concern for its contents. Speaking privately, that retired Liberal minister said: "Continuous criticism has taken over substance. We have to come back to the notion that the government has a right to sell their budget. It is not necessary to do so in the first three hours." For Michael Wilson, however, the desire to promote his budget's merits had already contributed to the worst public relations disaster of the Tories' second mandate.

ALICE WALLACE in Ottawa

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THE BUDGET: 'A TAX TIDAL WAVE'

HARSH MEASURES—AND A BIG DEFICIT

With a little luck, Miller Ayrer celebrates, Finance Minister Michael Wilson's April 27 budget might actually be good for Canadian clothing retailers. Ayrer, a St. John's, Nfld., businessman, runs three women's clothing chains—2 Michaels, Kirsty Allen Fashions and Holly's Fashion Shops—with 80 stores across the country. His retooling, faced with higher taxes and no retirement savings, consumers will likely spend less on cars, furniture and appliances and more on clothing. But apart from that glimmer of optimism, Ayrer was disappointed in a budget that will add \$10.6 billion to a wide range of taxes paid by Canada's tax and cut federal spending by \$3.6 billion over the next two years—just to hold a annual deficit in the current range of \$29 billion to \$30 billion. Across the country, businesses, labor leaders and social policy activists expressed similar sentiments. Said John Bullock, presi-

dent of the \$2,000-member Toronto-based Canadian Federation of Independent Business: "It's not a tax tidal wave that is going to wash out a lot of consumer spending and business activity."

Despite the chorus of complaints following last week's budget, most observers conceded that Wilson had at least opened the borders of deficit-cutting to all quarters of society. He cancelled a planned child care program and cut back spending on foreign aid, passenger rail service, payments to the provinces and defence (page T6). The government will also tax high oil-use severely and lower allowance benefits paid to Canadians with net incomes—total annual income on wage pension contributions and certain other deductions—according to \$58,800 (page T10). Large corporations and wealthy individuals will be hit with new taxes. The raising surtax on all personal income is going up, and Wilson raised taxes on cigarettes

and alcohol and gasoline. He also increased the federal sales tax on selected manufactured goods and proposed that Ottawa end its contributions to the unemployment insurance program, leaving employers and employees to make up the federal contribution. At the same time, he set the rate for low-cost consumer goods and services tax to be introduced at the beginning of 1991, at one per cent. Said Shirley Carr, president of the Canadian Labor Congress: "It's an economic coup."

But even with higher taxes, new loans and a deficit stack in the neighborhood of \$39 billion in total spending of \$162.9 billion this fiscal year, Wilson predicted that the Canadian economy would remain healthy during the next two years. He forecast a three per cent increase in the real gross domestic product—the total net value of goods and services produced in the country after discounting inflation—last year and a further 1.7 per cent increase next year. But both figures were down from a robust 4.8 per cent in 1988, and Wilson forecast that unemployment would jump to 8.2 per cent this year from 7.7 per cent in 1988 and that inflation would creep up to 4.8 per cent from 4.1 per cent.

Risky: Some business leaders and economists predicted that the budget itself would be deflationary and would force the Bank of Canada to maintain the tight money policy that pushed its trend-setting interest rate to 12.5 per cent last week. Roger Harnett, president of

FOR THE MAN WHO DEMANDS PERFECTION



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CORNER

the Canadian Chamber of Commerce, said that most of the new or increased taxes on the business sector will be passed on to consumers in the form of higher prices. At the same time, he said, government borrowing to finance the deficit will put upward pressure on interest rates.

Although politically risky, deeper spending cuts would have been less damaging to the economy than tax increases. Final and this rather than reduce expenditures, the Tories will allow overall government spending to grow, though at a slower rate than that they project for the economy. Over the next four years, spending will rise at an average annual rate of 3.9 per cent, compared with five per cent annually during the past four years and 1.6 per cent annually in the last four years of Liberal rule. Yet business leaders were not impressed. Said Bullock: "This is a tax, tax, spend, spend, spend government."

Savings: Still, there were also direct program cuts that were bound to be both painful and controversial. Those cuts amounted to \$2.6 billion in previously planned spending over the next two years. The government will close several military bases and reduce the size of a nuclear series. It also scrapped the politically unpopular proposal to buy a fleet of nuclear submarines at an estimated cost of \$6 billion. And it chopped \$370 million from commitments to child care, including December 1987. Foreign aid cuts currently running at about \$2.5 billion annually will be cut by \$300 million in each of the next two years. Working next year, the government will save \$200 million in transfer payments for health and postsecondary education. Payments to Crown corporations are also being cut. Via Rail will be let bankrupt, losing \$125 million in subsidies, while the Canadian Broadcasting Corp.'s \$915-million annual subsidy will be cut by \$140 million over the next four years. The government is also reducing its \$220-million postal subsidy for magazines, books and newspapers by \$45 million over the next two years (page S2).

Still, the Tories insist primarily on higher taxes to solve the country's deficit and debt problems. And the budget documents showed that agenda, rather than the business community, could bear the brunt of the tax load. By 1991, they will add \$250 million to general income tax, compared with \$45.1 billion in 1987. During that same period, 1984 corporate income tax will have risen to \$14.6 billion from

\$10.8 billion. What is more, said Valerie Sans, acting director of the Canadian Council on Social Development, "low- and middle-income households will bear the brunt of the government's deficit-cutting exercise."

Savings: In order to lighten the system, the government has drafted a new tax on all large corporations. That new tax will be levied against a company's value rather than its profits. Under a provision that will apply to at least 3,800 companies, Ontario will impose a tax at a rate of 6.375 per cent on capital—the value of a company's shares, on retained earnings, cash reserves and loans—an increase of 100 million. Combined with an existing surtax, the new large-corporation tax is expected to raise an

eight per cent on July 1. In addition, earners with net annual incomes in excess of \$10,000 will pay another three-per-cent surtax, or a total of eight per cent on their base federal tax. Those measures should net the government an additional \$1.9 billion over the next two years.

Canadians will also pay \$3 billion in higher tobacco, alcohol and gasoline taxes over the next two years. Increases to the federal sales taxes on manufactured goods and telecommunications will bring the government \$2.2 billion, most of which will be paid by consumers through higher prices. Said Anthony Clarke, social affairs director of the Ottawa-based Canadian Conference of Catholic Bishops: "The largest share of deficit-cutting measures has fallen on the backs of working people."

But even with all the new and higher taxes, the government will make no progress in reducing the annual budget deficit and the growth of the accumulated national debt. The deficit is scheduled to reach \$20.5 billion in the current fiscal year, up from \$18.9 billion in the year that ended March 31. According to Wilson's projections, it will then decline only marginally to \$18.5 billion next year. The primary problem is high interest rates, which will increase the cost of servicing the debt by \$1.2 billion over the next two years from \$13 billion this year, assuming that interest rates peak at 12 per cent during 1990 and decline to 10.3 per cent in 1990-91. Wilson predicted that within four years the deficit will drop dramatically to \$11 billion due to spending restraints, tax increases and a three-per-cent economy.

Boogie: Not such optimistic forecasts did little to ease the concerns of Canadians who expected that a tough budget would have an immediate impact on the deficit. Said Newfoundlander Arthur: "It is about what we expected to see. The government didn't let the deficit below \$20 billion. It will pass and go on." Others said they feared that by 1992 the government, facing another election, will abandon its commitment to spending restraint. But some observers considered that the government's reliance on tax increases, rather than spending cuts, was a political ploy. Bullock said that cutting a \$20-billion program can trigger a fall-blows protest campaign with petitions, demonstrations and demonstrations of the government. But, he said, a \$10-billion tax increase doesn't bring out the demonstrators.

DUNCAN JENNIFER in Ottawa

THE BUDGET AND THE DEFICIT BILLIONS OF DOLLARS BY FISCAL YEARS



more \$1.4 billion in deficit revenues over the next two years.

Some economists and accountants said that they feared the federal government will be tempted to raise the new tax in subsequent years, and they warned that it might discourage investment in Canada. Douglas Penley, a tax partner in the Toronto-based accounting firm Coopers & Lybrand, said that the tax applied only to capital employed in Canada. Domestic companies might try to avoid the tax by moving outside the country. Said Dr. Drayton: "It is a disincentive to investment."

Most individuals, he said, will be paying higher taxes, but the cost of federal services, which is equivalent to three per cent of an individual's federal income tax, will be raised to



Toronto retirement home: signs of the end of universality in social programs

TAXING BACK THE PENSION

THE AXE HITS THE 'SACRED TRUST'

During the seven-week campaign leading up to last June's federal election, both the Liberals and the New Democrats unveiled a victory for Prime Minister Jean Chrétien's Conservative government would support the nation's social programs. The opposition argued that a re-elected Tory government would attack universality—the principle that all Canadians have the right to such social programs as seniors' and child-care benefits. The Conservative leader repeatedly denied the allegations. "As long as I am Prime Minister," Mulroney said, "I will ensure that all Canadians have the right to such social programs as seniors' and child-care benefits. The Conservative leader repeatedly denied the allegations. "As long as I am Prime Minister," Mulroney said, "I will ensure that all Canadians have the right to such social programs as seniors' and child-care benefits. The Conservative leader repeatedly denied the allegations. "As long as I am Prime Minister," Mulroney said, "I will ensure that all Canadians have the right to such social programs as seniors' and child-care benefits."

While Wilson said that the cuts were necessary

The same pension principle will apply to the country's 132,000 pensioners age 65 and above with net incomes over \$50,000. Even though the income level at which all benefits disappear is set at a hefty \$70,000 a year, the proposal will still affect a significant number of pensioners. The government predicted that the scheme would require 54,000 pensioners to repay 13 of their old-age pension—currently \$327 a month. Another 14,000, with incomes between \$50,000 and \$60,000, would pay back part of their pension benefits.

Day after: In the end, the changes mean that as their incomes rise, people will be obliged to repay more and more of their old-age pension or baby bonuses until they effectively receive no benefits at all. Said Herb Folmerberg, executive director of the 300,000-member Ottawa-based National Anti-Poverty Organization: "He won't admit it, but Wilson is ending universality." But the social activist pushed the idea not just with programs that put cheques in the mail. Wilson said the government will cut back on universal child care programs initially proposed in 1987. The budget radically deflected a planned \$8 billion in grants to the provinces to create 200,000 new day care spots. As well, Ottawa will reduce the growth in the amounts it pays the provinces for universal and postsecondary education by one percentage point, starting in 1990-1991, a reduction expected to cost the provinces \$200 million over four years.

At the same time, working Canadians and their employers will begin directly financing the full cost of the unemployment insurance program on Jan. 1, 1990. For employees who pay unemployment insurance premiums through payroll deduction, the premium rate will increase to \$2.25 a week for every \$3,000 of insurable earnings from the current \$1.85. At the same time, employer premiums will rise to \$3.15 from \$2.73 for every \$3,000 of insured earnings. Last year, the insurance program cost \$13 billion—77 per cent from premiums and 23 per cent from federal revenues.

Tragic: But while most media advocates criticized the cuts, others and the masses did not go far enough. David Somerville, president of the National Council, a national 28,000-member right-wing lobby group based in Toronto, called the budget "tragic and irresponsible" for bringing to the deficit frontier \$60 billion. Wilson appeared unlikely to face the kind of protests that broke out in 1985, when angry seniors forced him to back down on a first-birth-bonus cut. But the new measures are to be phased in over three years and the government estimates that by 1992, a total of 358,000 families, each with earnings of at least \$75,000, will be repaying all of their federal baby bonus cheques—currently \$360 annually for each child under 16—and an additional 167,000 will repay part of the benefits.

THEODORE TEDESCHI in Ottawa

MILITARY MANOEUVRES

THE BASE CLOSINGS WILL COST JOBS

Finance Minister Michael Wilson's \$20 billion budget landed last week like a mortar shell on the sleepy Prince Edward Island town of Summerside, where a military base is headquarters for two air force squadrons. This is the island's second-largest community (population 7,630) and is turned

over to the government's defence to move the units elsewhere and close the base. "Every body who comes in the door is talking about it," said An Kienker, owner of a local Nissan automobile dealership. The economic impact of shutting down Summerside's largest employer would be enormous. The squadron's annual payroll for 903 military personnel and 284 civilian employees amounts to \$50 million. The government spends another \$11 million locally on maintenance and construction at the base each year. Predicted Kienker:

"This could become a ghost town." Yet, even after the announcement from Ottawa, construction crews continued work on a new \$12-million officers' mess on the base. **Sore:** Protests erupted from Summerside to Kentville, Nova Scotia, where Wilson announced that Ottawa would close seven military bases and transfer others in order to save money. At the same time, advocates of a stronger defence accused the Conservatives of reneging on a commitment to increase military spending. Indeed, at the signing of the Conservative government, the military had indicated to its largest private shipping sponsor in Canada Island, including an \$8-billion plan to buy as many as 12 nuclear-powered submarines. But Wilson's budget cancelled the submarine program and froze the 2003 defence budget at last year's level of \$11.2 billion. In Halifax, retired Royal-Admiral Fred Cockburn of the Centre for Foreign Policy Studies at Dalhousie University complained: "The government came in standing tall. It has been left for dead."

Critically, the base closures in civil government—only St. John's has a naval base and a dozen to three as many as 3,000 people from the 87,000-member Armed Forces over the



Summerside: a sudden halt to the Forces' biggest shipping spree

past five years made it clear that the department of national defence was among the biggest losers in Wilson's attack on the deficit. Indeed, Gen. Paul Manson, the chief of the defence staff in Ottawa, "We don't see these things lightly at a time when we were just starting to build up the Armed Forces."

In fact, the spending cuts appeared to leave Beatty's policy in tatters. Troop cutbacks will leave the Armed Forces without the equipment required to meet the white paper's goal of reinforcing 7,000 Canadian Armed Forces personnel stationed in Europe. And McKnight himself acknowledged that the government

would have to rethink its approach to defending the Arctic—only nuclear-powered submarines can operate for extended periods under polar ice—yet may seek the help of its NATO allies. That alternative offers a sharp response from critics. Declared Cockburn: "Mr. Wilson has mortgaged our ability to control our seas."

On the other hand, disarmament activists expressed open delight at the apparent scaling of Beatty's policy. Said Sharon Lavatch, campaign co-ordinator of the Canadian Peace Alliance: "The submarines were the cornerstone of a policy that was discovered in the first place. This should lead to a thorough review of defence policy."

Fight: But defence contractors reacted with shock to the cancellation of the submarine program. At Nova Scotia's Halifax, Dartmouth Industries Ltd.—one of several companies that had been competing for part of the submarine order—the project "would have saved work for 400 people for 20 years," said company president Andrew McArthur. "Now it's back to the drawing board." In fact, the navy is certain to buy more warships—and build them in Canadian shipyards—though they will not be nuclear-powered. Indeed, Charles Thomas, chief of Maritime Command, told *Maclean's* that the money after the budget became public he and others would begin work to determine what mix of ships would best meet the navy's needs.

Other veterans used to fight the defence cutbacks. P.J. Primeau Joseph Goss and opposition politician agreed to work together to save the Summerside base. The town's mayor, David Stewart, noted that the government had tried to close the base in 1973 and 1980. Said Stewart: "We got a big army march, and they changed their minds. I guess we're going to get one another march." Goss' Wilson's declared determination to cut the deficit, Stewart may find the going tougher this time.

MARC CLARK in Ottawa with DAVID R. MACLENNY in St. John's

WILSON'S HIDDEN TAXES

THE BURDEN IS SHIFTING TO CONSUMERS

There was a time when the scab from a paycheque told the tax story. By far the biggest tax came in the form of income taxes, both federal and provincial, that were marked clearly on many pay slips. Other taxes were modest by comparison, that four per cent of Conservative government and five ledgers under Prime Minister Michael Wilson have brought a pronounced shift toward taxes on consumption—on money spent rather than money earned. Last week, Wilson ignored the pleas of consumer and welfare groups and raised hidden taxes on everything from groceries to laundry soap to plywood. And Keith Robinson, president of the Consumers' Association of Canada: "The government is waging its crusade against the backs of the consumers. This budget amounts to a staggering consumption tax grab."

The budget did, indeed, increase the income taxes that most working Canadians will pay over the next two years, as illustrated in the accompanying tables showing the effects on some typical incomes. But higher consumption taxes will add another \$204 to \$300 to most families, tax bills—more, in most cases, than the extra income taxes announced by Wilson. Wilson also said that some pension and family allowance payments will be taxed back into people's accounts \$50,000 or more. And, as increased provisions that, workers—and employers—pay for unemployment insurance, a move that will cost people earning \$33,000 a year or more about \$75. But the key changes will show up in higher prices at cash registers and gas pumps.

Problem: Wilson has explicitly raised consumption taxes on each of his budgets, despite complaints from consumer groups and welfare advocates that such taxes penalize the poor. Wilson has clearly been unmoved by these arguments. Last week, he confirmed that on Jan. 1, 1991, Canadians will begin paying a nine-per-cent goods and services tax on almost everything but food, rent, health care and education. In a province such as Newfoundland, which already has a 13-per-cent provincial sales tax, the effect would be to add 21 per cent to the price of most goods at the point of purchase. And there were no guarantees that the federal tax would stay at nine per cent. Said John Blodgett, president of the Canadian Federation of Independent Business: "This is only the beginning of the tax grab. They will put in



Processing tax forms of Revenue Canada sales tax rates as high as 21 per cent

the sales tax at nine per cent and push it up to 12 before you know it." In the mean time, Canadian food prices are expected to rise 10 to 15 per cent. And other tax increases that went into effect immediately last week Wilson increased the surcharge on income taxes to five per cent from three. Then

put an additional charge of three per cent on tax payable on income above \$20,000. For low- and middle-income workers, those income tax increases will have a minimal impact. And even for high-income earners, the immediate impact may not be devastating. The tables on these pages, compiled for *Money* by *Statistica* by Statistics Canada's Barry Alford, a member of the Society of Management Accountants, show that a family of five in Quebec with an income of \$30,719 would pay in extra \$59 this year and \$117 in 1990.

A working mother bringing up two children on her own in Nova Scotia on an income of \$16,449 would get slightly larger increases from the government over the next two years. But a wealthy real estate developer in Saskatchewan with income of \$407,060 would pay an extra \$4,485 this year and \$5,979 in 1990.

But the income tax calculations tell only part of the story. For almost everyone with income below \$20,000, the biggest factors in last week's bud-

get were higher taxes on consumption. Wilson added \$4 to each dollar of cigarette and alcohol tax to every dollar of gasoline. And he hiked hidden taxes on everything from coffee to telephone service. The costs are difficult to determine because they depend on spending patterns over the course of the year. But Ottawa's anti-policy minister, Richard Stollings, estimated that a family of four with an income of \$30,000 will pay an extra \$255 this year in consumption taxes and \$365 in 1990. By comparison, the lighter income tax surcharge will cost the same family just \$80 in 1990.

Credit: And with a family will get an help from Crown's refundable tax credits to soften the new tax blow. Wilson introduced the credit system in 1984 to offset the impact of consumption taxes on the poor. The full credit goes only to families with incomes under \$16,000, and is gradually reduced for higher incomes. Wilson said that he would raise the threshold to \$18,000 and the credit to \$300 from \$75 this year and to \$140 in 1990 for each adult, and from \$25 to \$50 this year and \$75 in 1990 for each child under 19. According to Alford's calculations for the single mother in Halifax, the mother would mean an extra tax rebate of \$26 this year and \$91 in 1990.

But critics complained that the tax credit helps only the poorest of the poor. Peter Macdonald, executive director of the National Anti-Poverty Organization, "People making less than \$15,000 have lost out too badly because of the sales tax grab. But the people making \$25,000 or \$30,000 have been hit hard."



HIGH INCOME

Self-employed real estate developer who earns \$207,000; married with two children, living in Saskatchewan

	1988	1989	1990
Employment Income	207,000	207,000	207,000
Dividends	8,000	8,000	8,000
Other Income (Interest Etc.)	24,277	24,277	24,277
(Resource Deductions)	-250,000	-250,000	-250,000
Total Family Income (Minus Registered Savings Plan Payments)	539,277	539,277	539,277
Taxable Income	631,777	631,777	631,777
Federal Tax (Minus Tax Credits)	194,431	186,916	193,481
Provincial Tax	3,558	3,065	3,065
Tax Payable	96,112	96,112	96,112
Tax Payable	278,175	282,888	287,145

Incomes are due to the increased federal sales tax. The high-income author and his dependent wife have no children.

four with two children under 18. As a result, thousands of families with modest incomes will pay more overall in taxes. Said Hans Schlegel, executive director of the National Anti-Poverty Organization: "People making less than \$15,000 have lost out too badly because of the sales tax grab. But the people making \$25,000 or \$30,000 have been hit hard."

Schlegel argued that any form of consumption tax is inherently regressive—everyone pays the same rate of tax, regardless of income—because it affects the poor more than the rich. He said that a progressive income tax—the greater the income, the higher the percentage taken in tax—is fairer. For his part, Stollings said that consumption taxes have a built-in bias against people with children. Such people tend to be bigger consumers, and that means they pay more consumption taxes.

Free: But Wilson said last week that he is determined to design the new goods and services tax so that families with incomes below \$30,000 will not be better off than under the present system. This proposed tax, he said, will raise enough money to replace the current 8- to 16-per-cent federal sales taxes on manufactured and processed goods—except in the wholesale level and hidden in the retail price—and to reduce income tax rates and raise the refundable tax credit.

After previous budgets, because the hidden sales tax was hidden, Wilson received little political criticism for increases in consumption taxes. Said Stollings: "People get a vague sense that prices are going up but they haven't really made the connection. And the Conservatives haven't got much of a political price." But that could change in the fall, when Wilson's new taxes are legislated in Parliament for the largest consumption tax in the country's history.

MARC CLARE in Ottawa

SINGLE PARENT			
Working mother who earns \$16,449 with two young children, living in Nova Scotia			
	1988	1989	1990
Income	16,449	16,449	16,449
Minus Child Care	-5,000	-5,000	-5,000
Taxable Income	11,449	11,449	11,449
Federal Tax	2,330	2,354	2,379
(Minus Tax Credits)	-3,294	-3,251	-3,424
Provincial Tax	360	305	305
Tax Payable	396	408	467

Incomes are higher because the income of the federal sales tax credit exceeds the income of the sales tax.

AVERAGE INCOME			
A mother earning \$21,000, whose wife earns \$17,875, both with two children, living in Quebec			
	1988	1989	1990
Employment Income	34,555	34,555	34,555
Other Income	1,764	1,764	1,764
Taxable Income	35,719	35,719	35,719
Federal Tax	5,029	5,086	5,146
(Minus Tax Credits)	-2,860	-2,860	-2,860
Provincial Tax	2,228	2,228	2,228
Tax Payable	4,397	4,456	4,514

Incomes are due to the increased federal sales tax.

CAREER COUPLE			
Salaried executive and self-employed professional who earn \$123,097 with one child, living in Nova Scotia			
	1988	1989	1990
Employment Income	123,097	123,097	123,097
Interest and Other Income	3,276	3,276	3,276
Total Family Income (Minus Registered Savings Plan Payments)	126,873	126,873	126,873
Taxable Income	95,973	95,973	95,973
Federal Tax	26,760	21,860	21,424
(Minus Tax Credits)	-8,506	-8,506	-8,506
Provincial Tax	8,529	8,529	8,529
Tax Payable	27,783	27,883	27,827

Incomes are due to the increased federal sales tax.

Tables prepared by the Society of Management Accountants budget impact team



Student demonstration in central Beijing; soldiers facing off with protesters (below right). "We are creating history."

WORLD

OPEN REBELLION

They imposed leader Deng Xiaoping as an emperor taxed by corruption and afraid of democracy. They labeled Premier Li Peng "a mad afraid to come out of his shell." As China's students staged their second straight week of massive demonstrations, their numbers—and their defiance—grew dramatically. On April 21, growing harsher and more provocative warnings in the government newspaper, *People's Daily*, a crowd of more than 50,000 students and 100,000 supporters broke through walls of police who had attempted to seal off Beijing's Square of Heavenly Peace. Some students climbed over army trucks around the edges of the square, welcoming the soldiers and holding out leaflets explaining their demands for democracy. They waved banners, sang. The later national, stopped traffic—most took over the center of the capital. "We are creating history," one student activist shouted to

IN CHINA'S LARGEST PROTESTS IN 13 YEARS, ANGRY STUDENTS DEMAND SOVIET-STYLE LIBERALIZATION

roars of approval, "and the people will not forget us."

Last week's demonstrations were the largest against the Chinese government in 13 years—and they were unprovoked to open rebellion. No longer could authorities dismiss

the protest as a simply an outpouring of grief for socialist former party leader Liu Xiaobo, a popular reformer whose death at 72 had sparked the demonstrations. After Liu's funeral on April 22, the unrest spread from Beijing to campuses across the country. The students' demands were diverse—but underlying them—spelled out on brightly colored posters—was one central goal: they want the kind of political liberalization that Mikhail Gorbachev has brought to the Soviet Union.

At week's end, authorities—after fast-moving crackdowns: Chinese prefects, then circulating a crackdown—were having little success in coming with a third tactic: talks with the students. The unprecedented move by the State Council, China's cabinet, was plainly designed to quell the uprising at a crucial time. Gorbachev, the students' suspicion, is due to visit Beijing in mid-May to normalize relations between the two Communist powers after a

30-year rift. And with him will come hundreds of foreign journalists—most as even brighter global spotlight on the Chinese protests. Senior officials met with representatives of official, government-recognized students' unions and urged them to stop the striking and demonstrate. But activists in a newly founded and still illegal independent students' federation, who were not invited to the meeting, denounced the talks. Said a federation spokesman: "This is the government talking with the government."

The students certainly grew more radical and assertive last week. They openly charged top leaders with corruption and nepotism. They pushed defiance: "The government is a dog," said students yelled over a loudspeaker from a second-floor dormitory window at Beijing University. The crowd below cheered as he went on. "The dog's only use is to pull the cart, but now it has become dishonest and senior to work and obedient on top. We cannot sell the animal and buy another one, because there are no other dogs on the market. So we have to trust and care it. We must not let it kill us or see it die." Again the crowd roared.

China's leaders were not laughing. They had shown a muted reluctance to use force, but they were clearly moving out of options. On the night of April 20, a letter from the Central Committee was read to party faithful in a coalition meeting throughout Beijing. It said that Deng had called for firm action against the student rebels, politely "without bloodshed." But, it added ominously, if blood was to be spilled, "then so be it." In the previous hours the following day, police, backed up by troops, moved into the Square of Heavenly Peace to try to clear out the mass of die-hard rebels who had been staging demonstrations there since April 15, the day of Liu's death. They sealed off the square—but again eschewed violence as thousands more students broke through their barriers.

Even more worrisome for the government was the support the students were getting from the general population. From factory workers to office clerks, spectators on Thursday flanked V-for-victory signs, cheered the protesters and gave them food and money. By nightfall, passively surrounded eight army trucks full of soldiers and refused to let them pass drove the mass across toward the city center. For Chinese leaders, the students' popular support captured up a chilling specter: students and workers joining forces to try to bring down the government. Such an alliance seemed particularly possible at a time of spiraling inflation and growing unemployment, which have slowly forced a retrenchment in China's bold economic reforms by a leadership plainly worried that they would cause widespread social unrest.

Not all the recent demonstrations have been peaceful. On April 25, at a memorial to Hu in the central city of Xian, a gathering of more



World Notes

A CLEVER SWEEP

As a member of the Communist party's policymaking Central Committee, Soviet President Mikhail Gorbachev came under fire from some officials for his Jewishness reform program, but he scored a significant victory when the committee approved the inauguration of 130 additional officials—including former journalist Andrei Gromyko.

DEFENSE CUTS

U.S. President George Bush cut military spending for 1990 a \$2.2 billion—\$12 billion less than the amount that former president Ronald Reagan had proposed. Bush plans to spend less on the conventional and space defense system known as Star Wars and to delay production of the Stealth bomber. The budget would allow the development of two kinds of atomic missiles, the 464 and the 464B.

DEADLY TORNADO

The Mississippi Delta in central Mississippi was devastated by a 100-mile-wide tornado that destroyed houses and killed more than 700 people in at least 30 villages. The tornado also destroyed crops that were already badly damaged by more than a month of drought.

ARGENTINE INFLATION

Argentineans went on a buying spree, snapping supermarket shelves in a race against hyperinflation that, according to unofficial estimates, has driven the cost of living up more than 35 per cent in April alone. Meanwhile, the government—which faces elections on May 14—ordered a banking holiday because of a shortage of bank notes.

ROHS IN THE HOT SEAT

In an effort to shore up his postmaster's flagging popularity, West German Chancellor Helmut Kohl recently announced a no-demonstration policy that immediately created a rift in the NATO alliance. He called for talks between NATO and the Warsaw Pact on reducing short-range nuclear weapons—despite strong objections from Washington and London, which are pressing to modernize the alliance's short-range Lance missiles, based mostly in West Germany.

BRITISH FANS CONVICTED

A British police convicted 34 British soccer fans of manslaughter and handed them partially suspended three-year prison sentences and fines for participating in a rampage that killed 39 people at the European Cup final match in 1985 at the Heysel stadium in Brussels.



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ARUBA. ONE HAPPY ISLAND.

WORLD

10,000 people engaged with race/demonstrating and looting. According to witnesses, police responded by beating and clubbing protesters—and innocent bystanders. "I was just standing there with my hands in my pockets," said Zhang Li, 35, who lay injured and hospitalized in bed last week. "Somebody yelled, 'Police! I didn't have time to run. The next thing I knew I was holding my head.'"

In a sense, China's angry students are the offspring of the revolution that the dissident Deng Xiaoping began a decade ago. The spirit of their cause has been one of identification, an era during which the emphasis has been on the individual, and the country opened up to the outside world. Many of them have studied in the West, including Canada and the United States. Under the slogan "To be rich is glorious," Deng has de-collectivized agriculture and encouraged private enterprise. But he has proved reluctant to follow his bold economic changes with political reforms that the students argue is the natural and urgent—the abandonment of China's dictatorial political system in favor of democracy. Like the students, Deng has plainly been shaped by his back ground: he has lived only under dictators, from the emperors to Mao Tse-tung.

Deng is now 64, and as his eyes draw to a close—and squabbling over the succession intensifies—many analysts predicted that, in the short term, conservative forces in the government would use the student protests to force an even greater reinforcement. Before the government's offer of negotiated work, there were single signs of hard-line policy. Since the start of the protests, authorities have fired one editor and suspended editions of two newspapers containing articles sympathetic to the demonstrators. To make matters worse for the students, they lack organization and frequently fight among themselves over the five meetings at Beijing University broke up as demonstrators on the organizers' prohibitions the microphone from one another, unable to agree on their demands. Many want that, in any case, the government will not give in. "I know in my heart that we will be defeated," said Chen Jin, a young undergraduate at Beijing Normal University. "But we will go down with a big bang."

There is no denying the students' determination. They are in a mood reminiscent of North American student radicals of the 1960s—not of romantic, revolutionary impulse. One person quoted a poem translated by the great Chinese writer Lu Xun, from the original by Haigunian Skolok Perov: "Life is the most precious thing. Love is even more precious. But don't regret it if you lose both to gas freedom." That is the sort of gamble the students are themselves taking. And we're relying dates by ahead the 70th anniversary in May 4 of a student uprising calling for democracy and science. Followed by Gorbachev's visit from May 15 to 18. The government may say that as now, the students seemed to be saying, but our generation excursions in this way, they will eventually have a final showdown.

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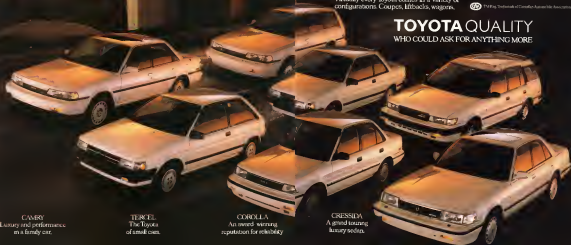
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A fatal money scandal

A leader resigns and his aide commits suicide

Month by month, revelation by revelation Japan's ruling Liberal Democratic Party (LDP) has taken a beating. Since last June Japanese newspapers have provided a steady stream of sensational revelations about how Recruit Co., the powerful publishing and real estate conglomerate, allegedly sought to gain favors and influence by contributing millions of yen to an extraordinary circle of lawmakers, businessmen and senior members of the LDP. Last week, the circle finally closed in on Prime Minister Noboru Takeshita. He admitted before a parliamentary committee that he had received a total of \$12 million in political donations from Recruit—but insisted that he had done so before he retired.

Then, on April 22, his office acknowledged that, in addition to his wife, Mrs. Aiko, had received a loan of more than \$400,000 from Recruit. Three days later, his government's credibility at an all-time low, Takeshita finally announced that he would resign. "I have decided to step down in order for the people to regain confidence in politics," Takeshita said. The morning after his announcement, Takeshita's aide Aiko committed left wrist 17 times with a razor blade, then hanged herself with a cord in his Tokyo apartment.

That grimly ironic underscored the devastating effect that the Recruit scandal has had on the ruling LDP. So many senior party members have been implicated that leaders are being difficulty finding a "clean" candidate to replace Takeshita, who is expected to leave office later this month. Aiko's suicide was also a shocking reminder of the "money politics" nature of Japanese government, where political elites are expected to raise millions of yen annually to pay for such everyday expenses as secretaries' salaries and lavish gifts for constituents. It is a system that has kept the LDP in power since 1955. But it requires the financial backing of big business—and has created ideal conditions for influence-peddling. In fact, since the Second World War,

Takeshita is the fourth Japanese prime minister to be forced from power in political scandals—and Aiko's death is the latest of about 20 politically motivated suicides.

In the Recruit scandal, the firm sold targeted shares in one of its subsidiaries to politicians, businessmen, business leaders and

the Japanese media have reported that adds to former prime minister Yasuhiro Nakasone, under whose administration the share transactions took place, collected \$500,000.

The opposition parties, meanwhile, claimed for Takeshita's resignation and they demanded that Nakasone finally suffer with a parliament. Nakasone refused. To prove their demands, opposition leaders boycotted parliamentary debates on the budget for two months. The LDP would have pushed the legislation through with its majority in parliament but it was a consensus-minded Japan that is extremely rare. Instead, Takeshita tried to force the opposition to debate the budget by promising to resign as soon as it was passed. When the opposition still refused to support the majority last week to run the budget through the lower house. The full parliament will almost certainly pass the budget by the end of May.

Meanwhile, party leaders were searching last week for a successor to Takeshita. According to media reports, the prime minister was lobbying leaders of the various LDP factions to support Masayoshi Ito, 75, one of the only senior party members untouched by the scandal. But Ito, who has diabetes, has said that he would rather be set as prime minister because of his health. Some observers suggested that he was playing one member of the party to come behind him. Said political analyst Hiroyuki Miyake: "There is no politician who does not want to be prime minister." Other prospects include former national police agency chief Masaharu Gotoda, 74, and Toshio Kuroda, 77, leader of the smallest LDP faction.

At the same time, Japan's splintered opposition parties were struggling to form a coalition that might offer a credible alternative to the LDP. The opposition demanded that the government call immediate general elections, although only half of the members of the upper house have to face elections this year. Elections would "put a normal face on politics in Japan," said Tetsuo Doi, chairman of the Japan Socialist Party. But the LDP is not likely to resign. According to opinion polls taken before Takeshita's resignation, only four per cent of the electorate approved of his government. Koichi Kato, a leading member of the LDP, said last week that the party would lose many seats if it did not wait. "Half a year or a year later, things would change," said Kato. "The later, the safer."

But many observers questioned whether there would also be a more fundamental change in Japanese money politics. Kato said that, for the first time, the Recruit scandal has focused attention not only on the source of their funds but on traditions that force parliamentarians to raise millions of yen just to stay in power. "Every seven to 10 years, we have this kind of scandal," said Kato. "But this time, people started to discuss the real roots of the money scandal." Those roots run deep, and even a full-on prime minister—and a grassroots assault—will not change them overnight.

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made accusations, who then said them for wealthy profits when their name soared. The company also lashed out millions of dollars north of gifts and campaign donations. Prosecutors now allege that some of the shares and gifts were given in exchange for illegal business and government favors. By last week, authorities had arrested 14 people, including Recruit's chairman, Haruoichi Kato, who is charged with bribery.

Prosecutors had not charged any politicians in the scandal. It is a system that has kept the LDP in power since 1955. But it requires the financial backing of big business—and has created ideal conditions for influence-peddling. In fact, since the Second World War,

Takeshita (left) and Nakasone "money politics"



Beleaguered Beirut

The Arab League calls another ceasefire

The past 50,000 in and around were bettered Beirut last week after an Arab League-backed ceasefire halted 52 days of artillery exchanges in which 275 civilians died and almost 1,000 were injured. From the divided Lebanese capital, *Medline's* correspondent Lene Marlin reports.

It is more than 14 years of savage civil war, the Lebanese people have seen hundreds of ceasefires come and go—often within hours. So, understandably enough, few are settling too much store by this one. The mission of church coordinator Raffoul Aoun seems typical. "Fool! The Arab League," he said. "They haven't been able to do anything to stop the fighting in 14 years. Why should they be any more successful now?" Aoun stood amid the wreckage of his once-beautiful Greek Orthodox church in East Beirut's Ashrafieh district. Its roof had been pummeled by at least half a dozen rockets and mortar shells over the past

few weeks. The heavy grey concrete behind the altar had collapsed, and the deeply pitted door was strewn with the shreds of dozens of coats, many of them once of considerable value.

But at least the shelling—between Christian Beirut and Syria-backed Muslim suburbs—had stopped for a time. And, however haltingly, Beirut residents were picking up the threads of some sort of normalcy. Shops were opening, people were lining up for gasoline and clearing away the dust and rubble as best they could; a few hardy souls were even crossing the so-called Green Line that divides Christian East Beirut from the Muslim western half of the city. In Ashrafieh near the Green Line, a tall, mustachioed soldier in a camouflage uniform took an afternoon stroll, smoking a cigarette and cradling a baby in a pink jump suit against his shoulder.

Meanwhile, Gen. Michel Aoun, the Christian Lebanese army commander who is also one of the country's two main prime ministers, was

celebrating the Arab League's intervention as a small diplomatic victory over the 40,000 troops from neighboring Syria who occupy part of Lebanon. Aoun's strategy is clearly to internationalize the conflict, and it is no secret that he would prefer American, French or United Nations intervention to help him achieve his objective of driving the Syrians, backed by their Lebanese Druse allies, out of the country. But he plays close to the Arab League ceasefire call—and its commitment to send in 300 observers to monitor the ceasefire—in a useful stratagem that will weaken Syria's hold over Lebanese affairs. "It is not a solution but a step towards a solution," he told *Medline's* at his headquarters in a bunker beneath the presidential palace in Baabda, an East Beirut suburb.

One reason why the shocked, 50-year-old Aoun would prefer Western or international intervention is that, like many of his co-religionists, he does not identify fully with the mainly Muslim Arab world. Asked if he was comfortable with the idea of Lebanon's so-called Arab identity, he replied in fluent English: "It doesn't mean a thing. The thing that means something is what kind of life you are living. You are free or you are a slave. I want Lebanon to be a Western nation with human rights." Aoun insisted that he wanted Beirut's tranquility, who maintains a protective buffer zone in southern Lebanon, to leave his country, as well. "I have the right to tell any foreigner here, because here is my home," he said. "I have the right to live on the Syrians, the



Devastation in Beirut: citizens have displaced an extraordinary residence

Israeli, the Iranian or any other foreign forces who are here without my acceptance."

It was Aoun's bold action in blocking unofficial ports controlled by Muslim militia—coupled with hopes that he would drive the Syrians out—that sparked Lebanon's latest wave of bloodletting. In response, shelling by the Syrians and their Muslim allies effectively closed official ports, such as Jounieh on the Christian enclave, 16 km north of Beirut. Now the Arab League has called for all air, sea and

land blockades to be lifted. But it is not clear whether Aoun considers that call to coincide the unofficial ports, where millions of dollars in what he labels "illegal" duties were levied by Muslim militia until he closed them by force. Asked if he would let the "illegal" goods start flowing again, Aoun said abruptly, "If the Arab League wants them open against international law, let them assume that responsibility."

Aoun made it clear that he wants the same-

ness reopening of Beirut's international airport, which is located on the edge of the Muslim zone. But by week's end, the Syrian-backed cabinet of the rival Muslim prime minister, Suleim Hoss, had not given approval for the airport to reopen. And observers worried that if it remained closed, and Aoun did take new action against the Muslim-held ports, the situation would be in danger of breaking down.

Despite the atmosphere of uncertainty, the ferry service between Jounieh and the Cypriot port of Larnaca, 130 miles away, seemed likely to resume quickly. It had been an escape route for thousands of Lebanese Christians and many Syrians fleeing forced displacement on April 24. The whole those who could were leaving; there were still some who wanted to return from abroad. Three days before the ceasefire, Paul and Rania Saman and their small son, Ziad, managed to get three seats on a Lebanese Air Force helicopter that was returning to the Christian enclave from Cyprus. Rania was eight months pregnant, but determined to get home for the delivery of her baby. "When you are in the middle," she said, "you hear so many rumors. You think the whole country has been destroyed, that everything is collapsed." She added, "It's better to be at home at such a time." In that sentence she conveyed something of the extraordinary sadness which Lebanese of both religions have displayed for so many terrible years. □

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AHEAD WITH HER
RIGHT-WING AGENDA**

The lunchtime crowds at Debenhams, a major London department store, revolve around counters piled with high-priced clothes, kitchen gadgets and electronic goods that is one corner of the where-top line they are supposed to know, though conspicuously absent, just behind the furniture section in Debenhams Store Centre, a well-known boutique where shoppers can stroll up on the latest financial news and buy or sell company shares listed on the London Stock Exchange. Since the centre opened 31 months ago, Debenhams has recorded about 25,000 deaths—part of an explosion in share owning and trading in Britain in the past decade. While only seven per cent of Britons owned stock in 1975, among the lowest proportion in the West, Britain is now near the top with 35 per cent. It is a dramatic reversal—and one that is at the heart of the change in economic fortunes and social climate brought about under a remarkable leader who this week celebrates 10 years in power. Prime Minister Margaret Thatcher.

On May 4, the date of that milestone, Thatcher has much to celebrate. The changes that her government has brought about over the past decade have been among the most radical ever seen in Britain. From a country sinking slowly under old, inefficient industries,



hobbled union practices and a long-standing disdain for enterprise, she has sought to forge a better, more competitive nation. She has attempted nothing less than a reworking of the basic assumptions of British politics—and played a crucial role in setting the conservative agenda that dominated the Western world throughout the 1980s (page 410). She has never been popular personally, and critics claim that her policies have widened the rift between rich and poor in Britain. But for better or worse, through skill and sheer luck, she has, overall, succeeded to a degree that has astonished her public and confounded her foes. Even many of her fiercest critics concede to a shocking admission: "Part of me wishes what she stands for," says

Miriam Jacoby, editor of *Mansion Today*, a left-wing magazine. "But another side of me is impressed by her drive to modernise."

Laurels. After 10 years, there is no sign that Thatcher is slowing down. Unlike her political soul mate, former U.S. president Ronald

Reagan, anything to spare has brought a rather rich reward upon Thatcher. She underwent her dogged determination to green stand when she announced weeks ago that her 50th anniversary at 10 Downing Street—a record unmatched in 140 years—will be "a normal working day." Her government has a narrow lead over the opposition in opinion polls as it scores the midpoint of its third term—traditionally a time of low popularity for the party in power. And, far from resting on her laurels, Thatcher has unleashed a new series of radical reforms aimed at extending her right wing revolution to new areas of British life.

She is gaining confidence and skill in office," says Madsen Pirie, director of the conservative Adam Smith Institute in London and an adviser of the prime minister. "This is still a very innovative government."

For Thatcher personally, the past 10 years have been a time of both triumph and adversity. She has barely a week off each year apart to have had only beneficial effects (page 413). There have been two clearly negative ones: that, at 63, she looks older, brighter, even more youthful than when she took office. But at the same time, she has adopted an almost imperious bearing, com-



British mine workers' strike, 1984: more prosperity but wider economic disparities

bined with an often-stocked tendency to refer to herself with "the royal we." For many Britons, that reached ludicrous heights in March when her son Mark's first child was born, and she proudly proclaimed that "we have become a grandfather."

Grasp the quicks. Thatcher has won wide respect and even awe for the scope of her ambition. She has repudiated the very heart of British politics—the consensus under which the country was governed from the 1950s to the mid-1970s. Both Labour and Conservative politicians assumed that the welfare state, large established industries and a generally left-wing shift in social policy were permanent political fixtures. Socialists sought to move left more quickly, while Tories sought to reverse direction entirely—and Thatcher took power on May 4, 1979. Since then, she has rolled back the left wing of the state and declared that her goal is nothing less than "the death of socialism." Her right-wing radicalism caught the mood of the 1980s—and Britain became the poster child of change throughout the Western world.

Issues. These changes included an assault on what the Conservatives diagnosed as Britain's central problem in the late 1970s: a huge public sector burdened with industrial subsidies and dominated by unproductive wastes. The Tories cut subsidies, forcing companies to do away with loss of thousands of jobs and driving unemployment to a high of 3.1 million, or 11.2 per cent of the workforce in July, 1985. It now stands at 6.7 per cent. They privatised 19 state-owned industries, transferring 750,000 jobs from the public to the private sector. They

forced local authorities to sell public housing units to tenants—raising the proportion of Britons who own their own houses from 53 per cent in 1975 to about 66 per cent today. They made it easier for ordinary people to buy company shares and harder for unions to wield power in the workplace. By the end of the decade, some Britons were shareholders (about 11 million) that were union members (9.5 million).

Prosperity. Thatcher described her policies as a drive to create a "property-owning democracy." At its heart, it amounted to an attempt to break the class divide in British politics; a Conservative party run by traditional Tory grandees drawing support from the suburbs and shires, contrasting a Labour Party based on the urban and areas of dock-clogged workers from the cities. In its place, Thatcher has sought to create a more fluid, open social structure in which merit and money play a greater role than class and tradition.

For many Britons, the result has been a decade of unbridled advancement and prosperity. The story of Valerie Thompson, a 32-year-old high flier in London's financial world, reflects the new opportunities secured in the classic British dream of London's working-class East End. Thompson worked evenings and weekends as a child at her father's vegetable and livestock stall. She left school at age 15, and she says now, her greatest ambition was constantly to own a pair of shoes, the way she works as a fire clerk at the London office of the Salomon Brothers investment bank. At age 21, she started trading bonds and by 30, she was earning more than \$250,000 a year as head of the company's debt syndicate. Now,

she is setting up her own firm, Econometer Trading Consultants Ltd.

Thompson's remarkable rise would have been unthinkable in the postwar London financial world of bowler-hatted gentlemen quietly piling up profits in a clubby atmosphere.

But it proved possible in the competitive, firm, class-conscious social climate fostered by Thatcher. Thompson herself questions that Thatcher as a politician and example helped her break through the barriers that would almost certainly have kept her back in the past. "I was personally inspired by Thatcher," she says. "She has forced people to take responsibility for their own lives, to accept change. Revolution and the status just want to spread-dead people and lose their lives. Thatcher wants to do away with that."

Thompson is one of many women in the Thatcher revolution and has the rewards to show for it: a large house, a Jaguar car and the opportunity to make even more money with her own company. "I

want to be a multimillionaire and I intend to make it," she declares. "I don't feel in the least embarrassed by money—that's very English and traditional."

Throughout Britain, the women outnumber the men—but even in the shadow of Lon-

don's financial district the crowding of a decade of Thatcherism are evident. On one cold night last week, volunteers from the Salvation Army handed Londoners crumpled, the number of homeless people sleeping in so-called cardboard cities. Experts have estimated

that in some parts of the city as many as 10,000 people sleep rough each night in the capital—and up that changes in just a matter of weeks. The numbers have contributed to a doubling of that number over the past 10 years.



Thatcher with son, Mark; husband, Denis; and Mark's wife, Elaine: an almost imperial bearing

don that about 4,000 people sleep rough each night in the capital—and up that changes in just a matter of weeks. The numbers have contributed to a doubling of that number over the past 10 years.

Thatcher's many critics point to such failures to argue that the "economic miracle" she

manufacturing sector has never recovered from the devastation visited by the deep recession and government cuts of the early part of the decade. However, after seven years of steady growth, the manufacturing output has barely recovered to its 1979 level, and

CASHING IN ON MAGGIE

Praising what their leader presides, British free-enterprising Tories are counting on getting a financial windfall in a 200,000-odd-house home Margaret Thatcher's 50th anniversary as prime minister. The Conservative party's official merchandising operation Blue Bonnet has produced a stream of memorabilia to mark the event—and it does not come cheap. The most expensive item, at \$1,200, is a silver tray engraved with Thatcher's signature and signature dates a her career. Other souvenirs include blue, white and gold Royal Wintonia bowls decorated with the prime minister's portrait and initials at \$500 each. Goldstone Piccadilly, Blue Bonnet's managing director, said that 1983 revenues were \$200,000—and this year the projection is \$1 million. "The anniversary," he added, "will make a significant contribution to the success."

Thatcher's unimpeachable features adorn cheaper—and less tasteful—memorabilia as well. London stores stock shoppers with her face on the box at \$64 a pair, and

current issues for as little as 50 pence. Bookings are being made for 13 new books devoted to the Thatcher phenomenon—from spy, biography to a slim unauthorized volume entitled *The World's Best Magazine Thatcher John Gimpel*. "What are the best critical periods for interpretation about



Souvenirs: Thatcherism in action

Thatcher's reign? The answer is simple: none. It is simply impossible to find Thatcher memorabilia in her home town, Grantham. The local museum displays much attention to Sir Isaac Newton, who was born in Grantham village in 1642, but makes no mention of Thatcher. The museum's secretary is the three-story house where she was born and in which her father, Alfred Roberts, ran a thriving grocery shop.

The building's main floor is now a restaurant called The Premier. Opened in 1983 and specializing in expensive gourmet cuisine, it was not successful and closed in 1985. Current owner Paul Nesbitt reopened The Premier last year and offers a more moderately priced menu. Nesbitt says that business is good—but that the Thatcher connection does not always help.

"The locals are much more into Thatcher," he says. "It puts off as many people as it attracts." Still, Nesbitt expects a full house on May 4 at a special five-course dinner to celebrate Thatcher's milestone. The main course: supreme of chicken, Margot.

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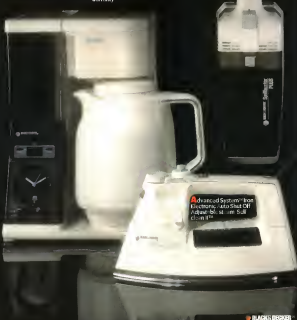
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Britain is experiencing a serious trade deficit. In addition, Thatcher's critics argue the country has been embroiled by \$300 billion in increases from North Sea oil that will start to run out over the next decade. "There is no economic miracle if you look at the trend over the entire decade," says Wynne Godley, a Cambridge University economist. "It's a pipeline into quick."

Realistic: Godley maintains that Thatcher has not tackled the underlying problem of Britain's lack of competitiveness in the world economy. Long before she came to power, Britain suffered from relatively low educational levels, poor industry training programs, and low rates of investment in private industry and many public services. Public investment, about six per cent of national output in the late 1960s, is now less than two per cent. The decline is reflected in deteriorating roads, inadequate public transportation and shoddy standards in housing. Neil Ashmeade, a journalist with The Observer newspaper, spent five days in a patient on a London hospital in mid-April and wrote: "The bedheads in the ward had holes in them and we dried ourselves on old pillowcases because the towels had run out. There was no bath or shower, so washing was done in plastic washing-up bowls filled from a tank in the corridor. I have known this



Thatcher and Howe political soul mates

hospital for over 20 years, and watched its walls grow scarred, its metal work scratch away, its pipes rust and its floor crack."

Understanding of British health care did not start with Thatcher's decision in 1979. Britain has always spent a much smaller share of its national output on health than other ad-

vanced countries—including Canada—and the government maintains that it has managed spending on health by 30 per cent after inflation in the past decade. But after seven years of rising property in southern England, major tax cuts directed largely at those with relatively high incomes, and five government budgets with sizeable surpluses, an increasing number of Britons argue that the time has come to spend more on improving public services. In fact, a recent Gallup poll found that, by the overwhelming margin of 84 per cent to seven per cent, respondents said that the government should spend more on social services rather than making further tax cuts.

Competitor: Such findings cut little ice with Thatcher. Instead, her government is pressing ahead with a series of ambitious new plans designed to further expand the frontiers of what she calls Britain's new "enterprise culture." The government has introduced legislation to privatize the water industry and announced plans to merge railways and coal mines over to the private sector, as well. It is going ahead with plans to introduce more competition into Britain's reduced legal system. And it is embracing the principles of private competition who push private services at health care and education by

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weekend hunting runs for hospitals and universities in ways that will force them to bid competitively for services and supplies. The services will remain state-funded but they will have to respond to market forces," said Fine of The Adam Smith Institute, which has contributed to many of the government's reforms. "It's another step in taking power out of the hands of producers and giving it to consumers."

Sensible. Thatcher has expanded her customer drive in terms of a risk and reward, a risk-reward still untried. Many observers have noted the pragmatic tone in which she frames her long-term goals. "Economics are the method," she once declared, "but the object is to change the heart and soul." Many leading members of Britain's churches have condemned Thatcher's policies as unspiritual and vulgar—but she has not abandoned the moral high ground to them. Instead, she has fought back in several public debates. In one exchange last year with church leaders, she defended her emphasis on private wealth by noting that the Good Samaritans in the biblical tale had more than good intentions to offer—he also had money.

Such moral confidence and overarching au-

thority have thrown Thatcher's opponents on the defensive for most of the past decade. The Labour Party, architect of the postwar reforms that put Britain at the head of social policy thinking in the West, had little intellectual ammunition by the end of the 1970s with which to counter the robust new Conserva-



Thatcher: success in a less class-conscious society

tive agenda. Wedded to the unions and committed to a welfare state, the party appeared bereft of new ideas. "In a sense we became the neoconservatives," Labour's Sir Kim Howells said recently. "We were singularly unsuccessful in making one case—in part because we didn't have one." The party's woes were compounded by electoral slighting and the formation in 1982 of a new centrist force, the Social Democratic Party. Its ultimate effect was to split the anti-Thatcher vote and help Thatcher win electoral victories in 1983 and 1987.

Rebelling. In the past year, Labour leader Neil Kinnock has moved his party closer to the centre and begun to woo middle-class voters. But the main danger of Thatcher's success may lie, paradoxically, in the narrowed dominance she exercises over her government and party. "There is no one to remind her that she is mortal," says Peter Hennessy, author of two studies of British politics in the 1980s. "The trap is that she goes both too far and over-reach herself." Yet even if that happens, Thatcher—coloured, unbending, but unquestionably successful—has already secured her place in the front rank of British leaders.

ANDREW PHILLIPS is in London

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FROM MISERY TO SELF-RELIANCE

THE NORTH STRUGGLES TO RECOVER

At first glance, Stephen Rhodes would seem an unlikely convert to Margaret Thatcher's entrepreneurial revolution. A short, burly man with a bushy black mustache, Rhodes traveled as a mechanic and spent nine years working in the coal mines around the South Yorkshire city of Barnsley. Like thousands of other British men, Rhodes was thrown out of work in 1985 when the state-owned National Coal Board closed unprofitable pits at the end of a bitter yearlong miners' strike. But four years later, Rhodes is running his own retail production company, employing 21 people in state-of-the-art studios as a modernistic business centre on the northern edge of Barnsley. These days, his only connection with the mines is a half-hour commut-

ary on the strike that he recently produced for Yorkshire Television.

Rhodes's transition from miner to entrepreneur epitomizes the ethos of self-reliance that Thatcher has promoted for the past decade. And it is a sign that Barnsley, like much of the rest of battered northern England, is pulling out of the slump that blighted the region for most of that period and undermined Thatcher's claim to have revived Britain's economy. While the south boomed, the north reeled under Conservative government policies that destroyed hundreds of thousands of jobs in such old smokestack industries as steelmaking, shipbuilding and mining. But as Thatcher marks 18 years in power this week, her enterprise culture is putting down roots even in places that were once symbols of the old England of

industrial industry and big unions.

Barnsley, a widely working-class city of some 180,000 that is dominated by red-brick row houses, is such a place. As recently as 1984, about 20,000 people worked in a dozen nearby mines. But that year, the Thatcher government began accelerating mine closings. It was the closure of the Cortonwood colliery near Barnsley that provided the radical National Union of Mineworkers to declare a strike. The South Yorkshire miners were among the most militant in Britain and fought pitched battles with police that left a legacy of bitterness in the region. After the union was declared a year later as the greatest setback to Britain's once-powerful labor movement, in decades, the coal board closed the unprofitable pits. Only 3,000 mining jobs remain near Barnsley and most of those are still under threat.

Despair: The result was economic devastation. Unemployment soared to 23 per cent, living standards fell, and Barnsley became a byword for northern despair. "The whole country just abandoned us as a desolate community," says city councillor Keith Horritt. "We had to rebuild completely." Deserted, ramshackle buildings, wrecks of a faded past, were fast-food, and the city began to see outside investors at a premium. In the past 18 months, those efforts have started to show positive results. Several southern companies seeking cheaper land and labor have moved to Barnsley. Construction is seen to start on a \$70-million shopping centre in the middle of

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city, and some of the old mining sites are slated for alternative uses. Private investors have drawn up a plan for a \$750-million leisure, housing and manufacturing center atop one vacant colliery, and another company plans to turn a landscaped slag heap into a ski slope equipped with artificial snow machines.

Rebirth. Rhodes is playing a modest part in that rebirth, which has cut the city's unemployment rate to 13 per cent. In 1983, two years before he lost his job as the mayor, he bought a video camera for \$2,000 and began filming workings in a colliery. During the miners' strike, he started to expand the business and opened an office after the mine closed in 1985. He borrowed \$80,000, bought new equipment and began making videos for companies in the Barnsley area. Now, at the age of 38, he has persuaded investors to lend him \$2 million, pays out \$13,000 a month in wages—and is producing television commercials, corporate training films and documentaries in England, France and West Germany.

Rhodes studies self-confidence: "We are looking globally," he says. "If work has got to be done in Japan, we will go to Japan." As he tells it, his drive to build his own business was born from a determination either to be recog-



Rhodes: 'Everyone's got the same chance in life'

nized again by governments, or big unions. "Everyone's got the same chance in life," he maintains in language that Thatcher would heartily endorse. "When one door closes, another opens—and you have got to walk through."

For some other former miners, however,

the 1981-82 strike proved all Barnsley has yet not touched their lives. In a string of villages in the Doness Valley, a few miles east of Barnsley, unemployment runs as high as 60 per cent among men who once worked in the now-deserted coal mines. The few companies that have moved into the valley pay low wages, and a sense of hopelessness pervades its beleaguered communities. In the Doness Enterprise Centre, a community centre in the village of Goldthorpe where former miners gather, a museum of Thatcher's name means only constancy. "Five years at Thatcher? Ten years of misery," snorts Sid Blyan, who lost his mining job in 1986 after 28 years. "She has taken everything away."

Uplift. In Barnsley itself, the mood is more upbeat—but much anger at Thatcher herself remains. "It was absolutely incredible that the pits had to close," says Barrett, a Labour Party member who still has a handful of his fellow city residents. "We had to change," he adds, "but there could have been a way to do it without the heartache and the pain. That's what the people won't forgive her for."

ANDREW PIERCE is in Barnsley

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A FORMIDABLE FORCE

THATCHER MAKES AN IMPACT AROUND THE WORLD

N a British prime minister since Winston Churchill has exerted the influence and impact around the world that Margaret Thatcher has wielded during her 10 years in office. From Brussels to Hong Kong she has been a dominating figure throughout the 1980s, not just leaving a mark on the political and economic life of many nations but affecting—by good or ill, according to one's beliefs—the way other people see themselves and the world.

In Western Europe, she is widely regarded as "the de Gaulle of the 1980s," among the same feelings of respect and admiration that once were attached to the towering figure who was France's president from 1958 to 1969. It is a comparison that Thatcher clearly finds flattering. "He was, after all, a formidable man," she says—and she is unquestionably Europe's best-known political personality. "A good many Europeans are more familiar with Thatcher than with their own prime ministers," said Paris advertising executive Michele Graubert. But well-known does not necessarily mean as disliked. Characteristic but unloved, Thatcher appears to many Europeans—as she does to many critics at home and abroad—as reactionary, demagogic, insensitive and self-righteous.

Impact. The full extent of her impact on the evolving 12-nation European Community (EC) is a matter for dispute among economists and politicians. Some say that when she took office in 1979, the tide was already turning against the welfare state doctrine, excessive government regulation and industrial inefficiency that afflicted much of Western Europe. "Thatcher rose at the right moment to patch what Europe knew was needed," said Paris-based economist Patrick de Frodo. Others claim that her contribution was more pronounced. "She played a key role in molding European economic policy toward the supply side"—encouraging private enterprise production—mentioned John Ralston, a currency spokesman during the early 1980s.

In Washington, observers recall that Thatcher was guest of honor at the first and last state dinners of Ronald Reagan's eight

year presidency and that in the intervening years she staunchly supported U.S. policy in Vietnam. Reagan gave as good as he got—most notably during the 1982 British crisis, when the Americans gave Britain valuable intelligence and logistical assistance for its war against Argentina. "You have restored faith in the American dream," Thatcher told a rally

Charles Price, outgoing U.S. ambassador to Britain, while the United States has significant economic and security interests in the Pacific. "Many diplomats perceive that after Europe becomes a more single market in 1992, economic competition will stress U.S. relations with its NATO allies, including Britain in the Far East. The objectives of Britain's last major crisis," Hong Kong, he told the Thatcher years must loom large in 1984. Thatcher signed an agreement with China that will return Hong Kong to mainland control when Britain's lease on the territory runs out in 1997. It was an act of political realism; there was no way Britain could have protected a Chinese takeover by military force. But many analysts in Hong Kong maintain that Thatcher could and should have extracted stronger guarantees from Beijing on the territory's future. As a result, thousands of Hong Kong Chinese are fleeing the colony—a significant proportion to Canada—seeking the security of a foreign passport and the prospect of a free enterprise system. And since Hong Kong remains a special economic zone, management against Thatcher's government for relaxing these rights of outsiders in Britain.

Influence. In Canada, Thatcher's influence may have been more profound than it appears. During her visit to Ottawa last June, her call to arms to support the Canada-U.S. Free Trade Agreement was public and controversial, to say the least. Her differences with Brian Mulroney over South African sanctions, but her private exchanges with Mulroney have reportedly been a good deal more positive. A close adviser to Mulroney told Mulroney's last week that Mulroney has occasionally telephone Thatcher for advice and has occasionally been required to justify himself with controversial policies. "She has softened a lot of space," said the adviser, "and has often rounded him off the fierceness of the public opinion polls. During the low points, he was always brought up after talking with her."

Strife. The Reagan years may have been what Sir Oliver Wright, Britain's former ambassador to Washington, terms "one of the periods of apogee" of the Anglo-U.S. relationship. Under a new generation, political and economic leaders appear to be pulling the two nations in different directions. "The EC now commands more of Britain's attention," says

Mulroney and Thatcher: "She softened a lot of space."



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SPECIAL REPORT



Thatcher trying on hats in 1978, the stuff of which political legend is made

THE FORGING OF THE IRON LADY

'THE POWER KEEPS HER YOUNG'

When Margaret Thatcher became leader of the Conservative party in 1979, William Whitelaw, a top Tory and member of the landed gentry, declared dominantly: "Ah, well, we ought to well give the lady a run." Whitelaw has long since ceased to be so overconfident; the lady has outlasted him and just about everyone else in the field. "On and on she goes," he mused in a recent interview. "It is quite extraordinary." A member of the House of Lords and Thatcher's former deputy prime minister, Whitelaw added: "I've seen some anything quite like it. Her energy is beyond belief."

The admission that Thatcher is capable of amazing to men like Whitelaw is the stuff of which political legend is made. So is the response that her party's public relations consultants named "the iron factor" during the 1987 election: "I've made the 'iron lady' woman," which has been reported was the most common man-on-the-street reaction to the mention of

her name. But significantly the iron factor did not stop Thatcher and her party from handily winning a third successive term.

Detachment: She and her numerous biographers unanimously attribute her personal qualities—and her phenomenal political success—to the influence of her father, Alfred Roberts. He was a great and Methodist by preacher in Grantham, a drab Lancashire town, whose very name suggests the grays, granite-like determination that he inspired in his daughter. Characteristically, Margaret Hilda Roberts was not only top of her 13-year high-school class but captain of the school's field hockey team. She was only 17 when she went to Oxford University in 1943 to study chemistry and only 24 when—while working as an industrial chemist—she became Britain's youngest parliamentary candidate, carrying the Tory banner in a safe Labour Party riding in Kent. She was defeated in 1950 but again in 1951 and, in December of that year, married Denis Thatcher, a well-to-do businessman

Even her most stringent critics concede that she and her husband remain a devoted couple.

The year 1953 was an important one for Margaret Thatcher. Thatcher, the girl with red hair, Mark and Carol, and in December she passed her bar examination finals. But marriage, motherhood and the law did not distract her from politics, and in 1954 she was elected Conservative for the north London riding of Finchley. Her first cabinet post was as chief secretary in 1970 under Prime Minister Edward Heath, the Tory leader and "boss"—her contemporary term for a moderate—whom she was to supplant five years later. Her victory over Heath in a secret party ballot announced the political world. Not only did she suffer from the double handicap of her age and her lower-middle-class origins, but she was also well to the right of the party's main stream.

Strident: Even before Thatcher led her party to victory in 1979, she had begun to make her mark in the world beyond Britain. In 1976, the Soviet army newspaper, *Pravda*, dubbed her "the Iron Lady" after she made a strident Cold War speech. The label stuck, and she did not object. "Mind! Of course not," she told an inquiring reporter. "I am an iron lady." Paradoxically, she eventually forged a special personal relationship with Mikhail Gorbachev, whom she recognized as early as 1984—the year before he became Soviet leader—as "a man with whom one can do business." Still, while reveling in her Iron Lady tag, she was less happy with some of the other terms that the media and politicians applied to her, such as "Atrida dei Iliad" and "the iron refrigerator."

Over her decade in power, Thatcher has dominated a succession of largely male cabinets. By British tradition, prime ministers are supposed to be "first among equals" in cabinet, but, without any sacrifice of her femininity, there has never been any doubt that Thatcher's wit is sharper. Colleagues who once crisscrossed with her are now consigned to the back benches or the upper house. Those who get along with her best—and who are even able to survive disagreements—say that, for all her toughness, she is essentially an old-fashioned, practical woman who likes to be listened to and cheered. One who has clearly mastered that art is Geoff Parkinson, the handsome energy secretary. He assumes one of her closest advisers and confidants, despite his being named by her as secretary in a highly paid joint partnership.

Such confidences in Thatcher's leadership style are not lost on world leaders. In a memorable phrase, France's President Francois Mitterrand once remarked that she had "the eyes of Caligula and the lips of Marilyn Monroe." And political observers in Britain consistently say that she looks younger now than when she first came to office 10 years ago. "It's the power that keeps her young," says political analyst Rodney Tyler, author of *Campanile*, a book on the 1987 election. At 63, Margaret Thatcher is clearly a fulfilled woman.

JOHN HEERMAN and JEREMY NART in London

PEOPLE

A questionable affair

After shocking Britain—and the world—in 1986 with their album, which started when she was 13 and he was 45, Mandy Smith and Rufus Wainwright (last) *Bibi Wyman* now say that they want to marry in a Roman Catholic church. But because Wyman is divorced, they have been unable to find a priest to perform the ceremony.



Smith unable to find a priest

"The secret is breaking Mandy's heart," he said. After Wyman started living with Smith, some British kids mistakenly assumed an arrest for violent intercourse with a child. Wyman, who proposed to Smith—now an 18-year-old model and pop singer—following a two-year separation, said that he is no longer scared. Added the 50-year-old musician: "All sorts of people are congratulating me on the engagement."

Unveiling the mystery woman

In just 259 pages, movie legend Marlene Dietrich coolly destroys many of Hollywood's cherished myths—scooping onto herself: "I had no special talent and I knew it," writes the 87-year-old actress in her autobiography, *Her-*

man, to be released later this month. But the German-born Dietrich, who now lives alone in Paris and has not made a public appearance since 1976, is even more critical of many of her leading men, including John Wayne and Jimmy Stewart. Writes Dietrich: "My American partners had a

Dietrich critical



Igniting success

After *Billy Coleman* is a bombastic expert. He starred in two offbeat TV series—*Slap Myself* and *Buffalo Bill*—that the critics loved but that succumbed to poor ratings. Now, the 53-year-old Coleman (and as a demolition company owner in his spare time. Where the threat is, but he says that the company, now living that in Toronto, will not be born because he's a demolition director. John Roseman is behind the camera. Added Coleman: "I feel really good about this one."

Coleman demolition man

A BIOGRAPHY, BELIEVE IT OR NOT

Ottawa journalist Ray MacGregor says that the exploits of Indian Chief Billy Diamond, 39, are "the stuff of a great novel." But MacGregor, 40, added that his agent told his outline about a Cree politician and businessman who became a low-budget producer was "totally unbelievable." MacGregor said that he simply remembered his Billy Diamond and submitted the work again as a true story. Last week, Penguin Books Canada Ltd. released *Chief—The Fearless Vision of Billy Diamond*, proving that fact can be stronger than fiction.

A foul call

Toronto Blue Jays catcher Rubeen White is unlikely to earn the respect of Hall of Fame catcher Yogi Berra for criticizing umpires. In his newly released book, *Catch A Minor League Catcher*, White, 36, decried one as an umpire by writing that some hold grudges and that one, Joe Brinkman, is "incompetent." For his part, Berra, 63, writes in *First A* (A-1 Zone, his just-published autobiography, that bad-mouthing umpires is foolish. For Berra—who once said that "baseball is 90 per cent mental, the other 10 per cent physical"—there is no percentage in replying "Well so all over again."



White had nothing against

protest where other humans have a brain." Still, the actress is not indifferent to the movies that made her famous during the 1930s, such as *The Blue Angel*, *The Devil in a Woman* and *Shanghai Express*. "There will be nothing in the future that could surpass them," she writes. "Film-makers are forever condemned to imitate them."



Billy knew how to ride his bike. Unfortunately however, he didn't know how to properly drive it on the road. It's for kids like Billy that Petro-Canada and Canada's police forces created the Right-Riders program.

Right-Riders gives kids from 5 to 12 the knowledge they need to drive their bikes safely. It's a fun way to learn the rules of the road, practice safe-driving skills, and understand the role local police officers play in the community.

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This year we are sponsoring a national TV program intended to educate everyone about bike safety. And, at major summer exhibitions, thousands of kids will have their first "driver train-

ing" experience behind the wheel of a mini-car at a Right-Riders Bicycle & Road Safety Show. Across Canada, other youngsters will improve their skills on a cycling course at a Right-Riders Bicycle "Roadco."

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SHOWDOWN AT CINEPLEX

The point had been striking testimony to his influence in the glitzy world of Hollywood. Shirley MacLaine, Paul Newman and Sharon Spelling were among those celebrities who accepted invitations to see Garth Drabinsky, the chairman of Toronto-based Cineplex Odeon Corp.—North America's second largest movie theatre chain—receive the Best British Ambassador's Distinguished Service Award on May 7 at New York City's plush Hotel Plaza. But even in that atmosphere of adulation, there was bound to be an element of tension. One of the event's scheduled co-chairmen was Sidney Sheinberg, president of U.S. entertainment giant MCA Inc.—Cineplex's largest shareholder. But last week, Sheinberg's office said that he had decided not to attend the ceremony. MCA, in fact, is embroiled in a vigorous fight over Drabinsky's ambition plan to regain control of Cineplex, the company that he founded.

The feud between MCA and Cineplex was building last week into a tense drama. The story first surfaced in *Argyle*, where Drabinsky, Cineplex vice chairman William Gottlieb and a group of their backers tried to take effective control of Cineplex by anonymously buying a 30-per-cent shareholding from a consortium led by Cineplex's second largest shareholder, Montreal businessman Charles Brindley. To get the Drabinsky group's own nine-per-cent stake. By increasing their total Cineplex holdings to 39 per cent, Drabinsky and his group would have a larger controlling interest than MCA, which owns half of the company's common shares but has slightly less than 30 per cent of the voting shares, in accordance with Canadian restrictions on foreign ownership.

But last week, the Quebec Securities Commission dealt a severe blow to Drabinsky's ambitious takeover strategy by ruling that his group's acquisition offer to buy Brindley's holdings privately—without making an offer to all shareholders—broke provincial securities law. Then MCA threatened to sue Drabinsky, Gottlieb and five other members of the Cineplex board. But following a crucial Toronto board meeting last Thursday, they agreed to drop the lawsuit. And at week's end, Drabinsky and his allies were trying to put together a million-dollar offer to buy out both

GARTH DRABINSKY IS LOCKED IN A HEATED BATTLE TO REGAIN CONTROL OF THE COMPANY THAT HE CREATED

MCA and the Brindley group, as well as the other Cineplex shares they do not already own. But Drabinsky, a lawyer representing Drabinsky "All sides are considering their positions at the moment."

Analysts said that the Montreal group is anxious to sell its shares, which have flattened sharply over the past two years, falling from a high of \$19.00 to a low of \$9.00 and losing at \$18.75 last Friday. According to court documents, both MCA and the Brindley consortium have apparently given committed share

Brindley: declining Cineplex's future



holders. Moreover, Cineplex has recently faced severe criticism from a U.S. accounting firm over its accounting methods. But analysts said that the Brindley group is reluctant to simply dump its stock on the open market because such a move would send prices down further. They added that Brindley and his supporters could have another option of a new offer for the shares does not materialize. In that case, they said, Brindley could join forces with MCA, and they could effectively force Drabinsky out of the company in order to maintain the value of their shares.

For their parts, both Drabinsky and Gottlieb declined to respond to Montreal requests for an interview. But whatever happened, Drabinsky appeared to be in for one of the toughest fights of his controversial career. After he launched his drive of recent shares in 1979 in Toronto, rapid expansion pushed his cash pay to the brink of bankruptcy only three years later. But he battled back—largely with the help of an infusion of money from George F. Heyman, L.L., controlled by Charles Brindley. Drabinsky has built an empire of fantastic movie theatres with a total of 7,835 screens across North America—second only to New York City-based United Artists Theatre Circuit with 2,670 screens—across Britain.

Drabinsky's big breakthrough came at the spring of 1980 when MCA paid \$219 million for 50 per cent of Cineplex. The arrangement was mutually profitable. Cineplex paid a Toronto analyst with the brokerage firm, Messers Rosenfeld, Carville Inc., and that MCA, which once the Universal Pictures movie studio in Hollywood, received access to Cineplex's theatre screens as the important U.S. market for Drabinsky, on tape, and MCA's financial health to help him his aggressive expansion plan into state-of-the-art, multi-screen movie theatres which pushed his company to the forefront of the movie theatre business. But Drabinsky's rapid growth earned a steep price tag that made his long-term debt had ballooned to \$525 million by the end of last year, against assets of \$1.5 billion and a profit of \$49.7 million.

That debt was at the heart of Drabinsky's current battle with MCA. Seeking such the company could have trouble securing the huge debt load, stock market speculators were as well as sales have been slowing a growing interest in Cineplex shares for two past years. Their desire to be in control of the stock market, then sell the shares on the market. They hope to repurchase them at a lower price than they originally paid, thereby earning a profit. Last week, some stock sellers, who sold Drabinsky's shares, said that Drabinsky was



Drabinsky's stock-purchase setback and a feud with a U.S. partner, MCA Inc.

envelopes Toronto real estate developers. Drabinsky and John David, investor Andrew Barlow and secretary investment director Capital Inc.—would not be able to put together an offer for all of the shares, which would push Cineplex share prices even lower.

Drabinsky has cut Cineplex's debt by selling off assets. But that may also have helped seal Drabinsky's relations with MCA. Initially, that partnership was a co-growth plan—Drabinsky was even told-in a possible bid for the struggling Sheinberg as MCA's president. But documents filed with the Supreme Court of Ontario in Toronto show that the relationship between the two firms began to sour, particularly after March 22 when Cineplex announced it was selling its 50-per-cent interest in Universal Studios Florida—an amusement park in Orlando scheduled to open in 1990, which Cineplex had built with MCA. Cineplex asked to be London-based Bank of Montreal to a \$100-million refinancing agreement for \$100 million. Cineplex said that it was using the proceeds from the sale to reduce debt. In an Ontario affidavit filed on April 30 during an earlier auction against Drabinsky's move to MCA, MCA vice-president Charles Paul stated that the MCA and Brindley-controlled members of the Cineplex board of directors had criticized Drabinsky's financial reporting practices on several occasions. Said Paul, "It was apparent that the two largest shareholders of

Cineplex were encountering very serious questions as to the quality of management that was being provided by Cineplex."

Drabinsky planned his next move last week. He also said a barrage of criticism from Kelllogg Associates, an independent Los Angeles-based accounting firm, which issued a severely worded three-page report stating that Cineplex's accounting was the "most aggressive" he had encountered, and questioned its conclusions. Kelllogg investigated the reliability of earnings reported by companies in order to provide its subscribers with early analysis of a company's profitability could decline. The firm, which based its Cineplex findings only on reports submitted to it, filed with securities regulators in the United States concluded that Cineplex's 1985 financial statements contain "misleading information." And it speculated that the company's financial reporting could spark an investigation by U.S. securities regulators and lawsuits by Cineplex investors. Daniel Taylor, a partner with Cineplex's legal firm, Trench, Smith & Whitney of Toronto, said the company "strongly stands behind its opinion" and remains anxious to change or qualify its approval of Cineplex's financial statements. But, Drabinsky, the leader with Kelllogg was clearly just a diversion from his own challenge—putting together a deal for control of the company that he founded.

JOHN DE MOYNE and JOHN DAILY in Toronto

Business Notes

RATTLE FOR GOLD

Minerals and Resources Corp. Ltd., a Vancouver-based holding company owned by South Africa's wealthy and powerful Oppenheimer family, claimed that it had secured control of 54.6 per cent of the shares of London-based Consolidated Gold Fields Plc. The takeover would give the Oppenheimer firm a controlling interest in the one-Canadian world's gold supplier.

FINNETT JUDGMENT RESERVED

Previous court Judge Walter Craig will rule on May 12 in the under-trading trial of former B.C. premier William Bennett, his brother Russell and Douglas Industries Ltd. Russell, Barbara and Doug (Bobbie) Bennett. The Bennett brothers said that they did not use tips from Denise to make a \$2 million profit in the trading of Douglas Industries shares in 1986.

AIRPLANE ROMANCE

United Airlines Inc. suspended the unionization effort by placing an A320 T-400 order for new aircraft with the Seattle-based Boeing Co.—the largest order in aviation history.

RETURNING THE PROFITS

Toronto-based Union Gas Ltd. announced that it will comply with an order by the Ontario Energy Board to refund about \$25 million to its Ontario customers because the utility's profit last year was too high.

CHERMEZIAN RETRICK

A Federal Court judge refused to allow Edouard's Chermizian brothers to stay in the occupation for a \$300-million contract to build Transcan's new headquarters in Ottawa. Two American companies, owned by the Chermizians, had talked back—by far the lowest amount of \$1.5 million—but both firms were disqualified because they lacked local subsidiaries.

BLACK'S (BRAD) MOVE

Toronto-based Bellamy Inc., which is controlled by chairman Conrad Black, agreed to purchase a 55-per-cent share in a parent's American. Bell newspaper for a reported \$24.6 million.

CONFIDENTIAL VIA SALARIES

Via Rail Canada Inc. refused to disclose the salary ranges of 41 top executives in its money into the Crown-owned passenger railway's operations. Led by President Thomas G. Adams and Chairman Erik Melby, Via claimed the information requested amounts to an audit.



A pessimistic and enraging budget

BY PETER C. NEWMAN

As usual, the media plots of the Royal Canadian Air Force got it right—and our political leaders blew it. According to Canada's media, Prime Minister Michael Wilson should have considered the budget's most controversial measures by himself. No! He should have called a cabinet meeting—and then a press conference.

That was about the only serious comment that week's budget deserved. It is as pessimistic as Bill Mack's report on our military accounts has ever been (asked—or interpreted to be) told—in the House of Commons. It also achieved the rare distinction of a long-gestating right across the ideological spectrum, so that the editorial impact of its authors was that of a church of megapastors and politically astute apostles whose flock had run out.

The budget's detailed contents were much less important than its overall message: all the bad news the Mulroney propaganda machine had been pumping out in the past few weeks—about how catastrophic a problem our deficit and national debt had become—turned out to be underestimates. Despite the emphasis of heavy new taxes that will touch nearly every Canadian wage earner and some lower income expenditure cuts, the forecast 1989-1990 deficit at \$20.5 billion will be \$1.5 billion higher than last fiscal year's \$18.9 billion. That seems very realistic moving backward, and not even as the finance minister's most optimistic predictions do he contemplate reducing the national debt (as opposed to the deficit) by the end of the century.

Wilson was so far off the mark in his estimates because he grossly undercounted his 1988 interest rate in last year's budget projections. That \$6-billion blunder means the cost to the federal treasury of carrying our national debt is the coming year will be \$29 billion instead of his \$23 billion forecast. By comparison, that mistake alone has the financial impact of a 12-per-cent, seven-year rise over the next 36 months. Now it's our turn to

Canada is not only bankrupt, we rank right up there among the world's worst debtor countries—a Zaire with polar bears

pay that he will be wrong again.

Although the Times boasted about reducing the deficit by \$10 billion during their first term, the national debt nearly doubled from the record \$160 billion it reached during Pierre Trudeau's last year. The cost of paying interest on the existing debt load has become Ottawa's largest—and most wasteful—expenditure. One authoritative source has predicted that Canada's national debt could reach \$1.12 trillion in the next 11 years, that would require monthly interest payments (at current rates) of \$10 billion. In other words, Canada is not only bankrupt, we rank right up there with the world's worst debtor countries—a sort of Zaire with polar bears.

The new tax on capital will help solve some of the corporate welfare issues while so far have avoided contributing to the revenue general. Still, there was disappointingly little in the Wilson document about seriously boosting corporate taxes, which now account for just over 11 per cent of the total take. The changes in old-age pensions and family allowances will redirect funds to those who really need them, without destroying the universal child ethic.

The national sales tax that comes into effect

in January, 1991, at nine per cent, is supposedly low, presumably because Wilson pledged it would be "neutrally-neutral" during last fall's election (although provincial sales taxes vary and sometimes make up the tax difference). That may be the initial bite, but surely every other country that has a value-added tax runs closer to 20 per cent at point of sale.

The budget's most baffling effect was the death warrant of the nuclear-powered submarines. Despite widespread protests, publicly and privately, cabinet ministers allowed the process of choosing the best boat to proceed even while the budget was being drafted, ensuring defence department officials there would be no room to object, the consequence of the government's own white paper.

The submarines, which were—and are—the only craft available to give Canada the three-ounce navy it needs, were not occupied for financial reasons, as was stated. The 27-year program required minimal expenditures during its initial years, rising up from its current \$20 million to a yearly maximum of about \$400 million—which would have amounted to about three per cent of the defence budget. Wilson's decision means that Pierre Boudre's white paper as it stood as the March 1988 record is a statement by Defence Minister William McKittrick that "defending Canada's Arctic waters will have to be left to the United States and Britain" represents a shocking abdication of Canadian sovereignty.

The business community's predictable reaction to the Wilson compromise has been to condemn its relatively mild treatment of the deficit. Ray Street was hoping for a "\$25- or \$35-billion bottom line." "One of the main problems," I was told in a prebudget interview with Marshall (Mickey) Cohen, the former deputy minister of finance, now president of The Mulroney Companies Ltd., is that the finance department now enjoys so little discretion. Most of the money is spent before the budget is written. This is one of those tragic budgets where the government has slashed its services and lived all over the floor in order to make cuts they can, but the business community will dismiss it as nothing more. The truth is that there's very little government waste left to correct.

"We won't solve our fiscal problem until Canadian perceive that we are a real crisis," he says, "and that won't happen as long as the deficit issue remains a debate among the elite. Some political leader is going to have to stand up and say, 'Look, the cupboard is bare, there is no more money for welfare payments, no more funds for most of the things government do do.' Then Cohen turned around and said, 'This country can't possibly be resolved merely by cutting out university. That is only the beginning, that is only the painful stuff. It simply won't be enough to take money away from the people who don't need it. You are going to have to get at the people who really need it as well. That is not so much a question of political courage as having the stomach to do it because it is going to be very, very painful.'"

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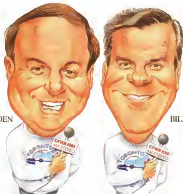
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SPORTS

Tackling the NFL

Canadian Tony Mandarich is a rising star

Residents of Green Bay, Wis., an agricultural and industrial city of 60 000 that has nearly 300 miles north of Milwaukee, have long been known for their dedication to professional football. Despite its relatively small population, Green Bay has managed to support a National League Football (NFL) franchise for eight decades. But since the legendary coach Vince Lombardi led the Packers to five league championships during the 1960s, Green Bay's chronically mediocre franchise has given the community little to cheer about. But last week's NFL draft may help to change that. Selecting from this year's crop of rookies, the Packers chose Oshkosh, Ont.-born Tony Mandarich, a 313-lb.

offensive tackle from Michigan State University who has attracted media attention on a scale that is unprecedented for an offensive lineman. Indeed, the 22-year-old Canadian, who lifts weights with ferocious enthusiasm and has a reputation for rough tactics against opponents, has become a overnight sports celebrity. Said Paul Mazurke, a retired service station owner in Green Bay: "The consensus here is that we are glad to have him. He is a mascot on the field."

In fact, Mandarich is a part of unusual circumstances both on and off the field. Born into a Yugoslavian family, whose members emigrated to Canada in 1965, Mandarich weighed 13 lb. at birth. Growing to a towering six feet, six inches in height, Mandarich today possesses a frame laden with massive slices of muscle that he maintains with casually rigorous, twice-a-day weight-room workouts. What sets Mandarich apart from other heavy linemen is his speed and agility. He can run a 40-yard dash in 4.65 seconds, as fast as some speedy backs.

Once a college player, Mandarich attained celebrity status. During his five years at Michigan State University, he sometimes lunched

with the state's governor, James Waschard. Last season, the Michigan State University Spartans lost their first three games while Mandarich was serving a suspension for squaring about, entering the NFL during the 1986 off-season draft. After he returned, the team won six games and lost only one.

Mandarich's only detractors are skeptics who suggest that he may have developed his



The Incredible Bulk: tired of talking about steroids

awesome physique with the assistance of anabolic steroids, the synthetic hormones that encourage muscle growth. Steroids are banned by the NFL as well as international amateur sports organizations. For his part, the player who has been labelled *The Incredible Bulk* by sportswriters attributes his extraordinary physical development to weight lifting—and to his family background. His father, Vic, a 59-year-old laborer at Oshkosh's Mack Truck assembly plant, stands over six feet tall and

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Dangerous times

Teenagers brutally assault a New York City woman

Over the years, many New Yorkers have grown accustomed to living in a city where violent crime is a part of everyday life. But a nightmare incident last month, in which a gang of teenagers ambushed and then raped and beat a 38-year-old woman in Central Park, shocked many of the city's hardened citizens. The woman was jogging through the northern end of the 846-acre park when at least eight youths assaulted her. Two days after the attack, the rape victim remained in a coma in hospital, suffering from a severe concussion. Doctors at Metropolitan Hospital said that she had only a 50-per-cent chance of survival. Police said that the young 18 men, aged between 14 and 17, were part of a larger group of teenagers who were "hanging"—their slang for terracing and bullying—in the park. The woman, who has not been named because she is a rape victim, was severely beaten with a metal pipe and bricks. Police officials said that one of the main de-



Police with victim's shoes, "evidence"

batting experts of the case was the apparent lack of romance shown by the alleged assailants. In a written confession disclosed last week, one of the suspects, 15-year-old Forest Salinas, said that he hit the woman because "it was fun."

At first, political and community leaders expressed concern that, because the victim was white and the attackers black and Hispanic, the assault might increase racial tensions in the city. But as a statement, one of the boys stated that race was not an issue. "She wasn't nothing," said 15-year-old Andre McCoy. That indifference shocked many New Yorkers. At the same time, while several of the accused youngsters had appeared to divorced parents, they were generally described by teachers and neighbors as being well behaved and good students. "These kids had no background of drugs," said city council member Keith Messinger. "It seems to have been self-inflicted." What made the assault so shocking, added Messinger, was "the specific act of violence and the intensity of the damage done to this woman."

The incident occurred at about 10 p.m. on the woman, who worked as an investment adviser for Salomon Brothers Inc., was jogging southward on a path of 300 ft between the white and blue cedar path around the reservoir in Central Park. Friends of the woman, who lived on the Upper West Side of Manhattan, said that because of her high-pressure life she only had time to exercise at night. Investigators said that the boys pursued

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the woman, knocked her down and dragged her into nearby bushes. When she attempted to fight them off, they punched and kicked her and beat her with a metal pipe and bricks. Doctors at Metropolitan Hospital said that the woman showed no vital signs until she was taken away from where she had been running. She was discovered by passersby 3 1/2 hours later.

The woman was the sixth victim of a killing by young assassins that night. Police said that the eight suspected youths were part of a pack of more than 30 teen-agers in the park earlier that night who chose rocks as cyphars and unveiled a homeless man and beggars. Minutes after the attack on the woman, police arrested five of the boys, including 14-year-old Clarence Thomas, who said the others, "I knew who did the murder." The eight youths were all charged with rape, assault and attempted second-degree murder. Two of the eight were charged as adult offenders, while the others were charged as juveniles. If convicted of the charges, those over the age of 16 would face a maximum of 25 years in prison, while the juveniles could serve up to 10 years.

Hordes of marauding youths—called "wolf packs" by the police—are a familiar phenomenon in New York City. But serious crimes committed by youths under 16 are on the increase. The number of youths charged with murder reached 54 last year, up from 27 in 1986. During the same period, rapes by young offenders in the city rose and to 141 from 106 and robberies increased to 3,137 from 2,867. Police officials expressed the belief that drugs—particularly crack, the highly addictive form of cocaine—are partly responsible for the increased crime levels. Five years ago when singer Diana Ross was performing in an open-air concert in Central Park, she described as "insane" youths robbing money and sexually abusing others in the audience, apparently senseless assaults by young gangs have increased recently in the city. Earlier this year, several drug-snatch boys got hit through the gutters subway station at Broadway and 102nd Street, proving a double hit on the tracks and adding many writing materials.

Outside the hospital last week, groups of druggo students of the Harlem housing project where four of the suspected youths live and government officials gathered to pray for the woman and for the boys who attacked her. For many other Manhattan residents, the worst was to itself, the night after the attack the under-pedestrian across the street in Central Park was as long as ever. Still, the violent crime seemed likely to trigger the city's collective memory in a grim reminder of dangerous youth.

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CULTURE IN CRISIS

CAN MARCEL MASSE REASSURE AN ARTS COMMUNITY SUFFERING FROM FEDERAL FUNDING CUTBACKS?

Encouraging everything from experimental video to classical ballet, from video encounters to native ceremonies, Canada's cultural sector is an immense and crowded canvas. With about 180,000 people earning all or part of their income from artistic activity, it is the nation's fourth largest employer. But the financial picture for most artists is a study in bleakness. According to research by the federal department of communications, dancers averaged \$16,800 in annual earnings from their profession and writers, \$12,500. Said Joyce Simons, director of the nation's flagship funding body, the Canada Council: "What artists earn is as marginal—as a group, self-employed artists are second only to self-employed pensioners." Cultural associations and industries, too, have been suffering in the era of federal belt tightening. And that wasn't budget spelled out more bad news for some of them.

Indeed, if you have been the CBC, whose advertising will be cut by \$140 million over the next five years or so as annual budget of \$1.3 billion. Newswatch Pierre Jussier described the measure as a "controlrope" that will lead to a series of cancellations of services and make it difficult for the government to pursue its top priority—95-per-cent Canadian programming in prime time by 1992. But the entire cultural sector will be affected by the same-per-cent retail goods and services tax to come into play in 1993—the first time that many arts organizations and cultural enthusiasts will be taxed so heavily as their overhead, salaries, services and production. Indeed, Ha-

zard Gervais, executive director of the Association of Canadian Publishers, said that the cut will have a "devastating effect" on the book and magazine industries.

Both of those industries will suffer from another provision in the budget—a prohibition of the \$220-million postal industry that allows books and periodicals to be mailed at a special low rate. The annual subsidy, paid to Canada Post, is to be cut by \$10 million this year and by



Masse, quoting Prozac, accepting Ocasio

another \$35 million in 1993-1994—for a total reduction of \$45 million. The department of communications last said July 1 to decide how to implement the cut. Said Catherine Kachon of the Canadian Periodical Publishers Association: "We were already telling the government last April that the postal subsidy would be main tened at current levels for at least five more years. To cut the subsidy at the same time that we will be hit with taxes from which we traditionally have been exempted is disastrous."

Those revenues count as a line of interest, especially in aging agencies of Canadian culture

Marcel Masse, who was appointed minister of communications in January after two years leading the department of energy, mines and resources, says that he will introduce several pieces of legislation affecting culture by the end of the year. And Masse has a number of high-level appointments to make to cultural bodies. At the same time, artists in a number of cultural industries say that they are nervous about the future. While film-makers people with the effects of changes in federal tax provisions that came into play on Jan. 1, musicians have attacked the government's failure to reduce policies which were to have stopped foreign ownership of Canadian publishing houses. And a most colorful arena there is apocalyptic about the potential long-range impact of the Free Trade Agreement, between Canada and the United States that went into effect this year. Despite an exception of cultural industries in the pact, some observers believe that other changes contradict that protection.

One of the first top-level Conservatives who argued for excluding the arts from the four trade deal was Masse, whose return to the federal cabinet as Minister of Communications was enthusiastically received by the arts community. A native of St-Jean-de-Matthew, Que., Masse attended the University of Montreal and the Sorbonne, and had been a high school history teacher, a Quebec Union National cabinet minister and a Karlovic law executive. Shortly after he was first named communications minister in 1984, Masse cut a total of \$60 million in government funding to the CBC, the Canada Council and the National Film Board, in compliance with a government austerity directive. But in the following month, he managed to establish himself as a strong ally and supporter of arts advocates, before moving to the energy portfolio in 1986.

A former board member of the Montreal Symphony Orchestra—and a man who performs (performed) roles as the speaker with questions from dancers, Marcel Prozac and others, more eloquent, writers and thinkers—he quickly demonstrated a genuine commitment to culture. He commissioned an ambitious array of task forces and awarded funding increases for the arts. He was named the first Prime Minister's Office director. Masse is "a cultured individual who understands the importance of the arts in the life of a community," he added. "It is always a bit humbling to speak to Marcel because no matter how busy he is, he has always put time into it and that is not true of that body."



The Royal Winnipeg Ballet: a bleak picture for organizations reliant on funding

Indeed, many cultural observers interpret Masse's return to the Communications portfolio as a Tory peace-offering to the arts community, which largely supports free trade. Another apparently contradictory gesture is the establishment of the government's new cultural committee on cultural affairs and indigenous society, which is chaired by Masse. The minister, now 53, told *Maclean's*: "We have to have policies that will re-establish some equilibrium with other countries in our own market."

Despite Masse's obvious interest in the arts, Ottawa insiders say that as a vigorous senior westerner his influence in cabinet. Said a senior Tory: "Marcel has knowledge that it is important to be a team player. You can make the case for arts money as much as you want, but if you don't have allies around the cabinet table, you might as well forget it—your requests are going to be dismissed as a mark of selfishness."

Masse says that cut of one of his first priorities to attract a revived broadcasting bill—probably in the next few months. It was Masse who, in 1985, commissioned the Task Force on Broadcasting Policy, which was chaired by Gerald Cyprien and Florian Sauvageau. The resulting report led the government to the bill that Pierre Macdonald, Masse's immediate predecessor, tabled in 1985 to replace the 1968 Broadcasting Act. The old law had come into

effect before the rise of cable TV and the advent of the satellite dish and other technologies.

One of the chief aims of the new bill was to increase the amount of Canadian content required in radio, shows or television. That was to be accomplished through a system of quotas, penalties and rewards. Those measures sparked controversy at the industry, as did the bill's proposal to strengthen the federal government's authority over the national broadcast regulator, the Canadian Radio-Television and Telecommunications Commission (CRTC). But the bill was strangled without Senate approval when Parliament was dissolved in October. Masse will not disclose whether he intends to make major revisions to Macdonald's bill or merely to fine-tune it. Said the minister: "I have asked my department to make a review of what was said and go on such a search of the bill and we are trying to find a more balanced approach."

Masse also has some key appointments to make in the broadcasting sector. He says that he is almost ready to name a successor to former CRTC chairwoman Audah Barrow, who resigned in February. 10 years before he took office had expired. And he must appoint a replacement for Joanna as president of the CRTC. Observers have noted CRTC director ratings from Trudeau Canada executive director

Pierre Desbordes to broadcast French-English. Wilson, and the minister says that he may delay his decision until the government has implemented a new broadcasting act. The bill drafted by Macdonald called for dividing the position of CRTC president into two posts, president and chairman, a provision that Masse is considering seriously.

In the interim, Masse has his important decisions to make. One of the first is to appoint a successor to former National Film Board chairman Pierre Macdonald, who is term expired last December. And he must keep a careful eye on Trudeau, the new investment banking department for film and television drama, which is each of the past two years has committed all of its funds for financing productions well before the end of the year.

A more serious problem for the industry revolves can changes that took effect this year. Investors, who used to be able to write off 100 per cent of their investments in Canadian film and television, are now restricted to claim only 30 per cent. Said Samuel Joseph, president of the Canadian Film and Television Association: "We lost a domain that was crucial to us." As well, for a variety of reasons—including the increased value of the Canadian dollar against the American—the number of U.S. productions filmed on location in Canada has fallen. According to Joseph's estimate, the production in Canada has dropped by between 25 and 40 per cent since last year.

In order to combat the fiscal tax change, Quebec and Ontario have taken action of their own. Quebec has implemented 100-per-cent tax credit for its taxpayers who invest in films that are made in Quebec and Ontario provinces, and Ontario has implemented an incentive program of its own. But some industry spokesmen are concerned that such initiatives will fragment the national film community. Said Peter Morrison, executive director of the Association of Canadian Film and Television Producers: "There is no doubt that there was a great deal of cooperation between producers across the country." He added, "The apple effect of the changes to the capital cost allowance is quite serious—it is causing the balkanization of the country."

Plus distribution was another field in which Macdonald tried—and failed—to attract legislation during his tenure as communications minister. His original 1987 draft proposal, which was designed to double Canadian-owned distribution 10 per cent of the Canadian market, clearly made the art of the American film industry. Powerful lobbyists, including Jack Weinstock, president of the Motion Picture Association of America, claimed that the proposal was contrary to the spirit of the free trade negotiations between the two nations.

Macdonald introduced a watered-down

renewal of the film profits importance bill in 1988—was) suffered the blow with \$200 million in support programs in the arts, television, film and other sectors of the film community. Even as its weakened form, the bill would have established Canada as a film distribution market separate from the United States for the first time (previously, U.S. distributors have automatically obtained rights for the entire North American market). But the bill died in Parliament after its first reading. For his part, Masse claims that he intends to establish Canada as a separate film distribution market. He added that the system should be a distinct entity "for all rights—not just for film."

But an earlier editorialist satirist of Masse's has proven effective. His 1985 *Star* Column took publishing policy was awarded to a Canadian control of the domestic publishing industry. Named for the Quebec birthplace of Prime Minister Jean Meeus, where the policy was announced, it stipulated that purchasers of foreign-owned Canadian publications must divert 25 per cent control to Canadian investors within two years. But several foreign-based publishers have been able to circumvent the legislation through complex restructuring arrangements, or have simply failed to comply with it. Masse acknowledges that the system is far from perfect. Said the minister: "We are reviewing it—we have to clarify some definitions in the policy."

In the performing and visual arts, the most pressing problem is simply making ends meet. In 1987-1988, some 2,500 individual artists and writers applied for Canada Council funding, but fewer than one quarter of them

received grants because of insufficient funds. And the new federal budget has increased the council's allocation for 1988-1990 by only \$222,000, an effective freeze of the two-year annual government grant. This Sunday Pulse, artistic director of Saskatoon's Twentieth Street Theatre, recalls that his company

five plays this season, one less than it mounted in the previous year.

Meanwhile, Kim McCaw, artistic director of the Prairie Theatre Exchange in Winnipeg, said that subsidies are crucial to the survival of his theatre. Said McCaw: "We desperately need progressive, risk-taking theatre, and that is the sort of work that doesn't survive when left to market forces."

While Masse is quick to point out that demands for increased arts funding must be weighed against Canada's tight fiscal situation, he remains an ardent supporter of artists' rights. In 1988, MacDonald tabled the first motion of amendment to Canada's then 84-year-old Copyright Act. The changes, which went on to receive federal approval last February, will benefit the creation of original content. It established a system that will enable them to collect rights fees for photocopies and other reproductions of their works, including computer data.

Masse has announced his intention of giving in a second round of amendments, which would include performing artists—who not just creators in copyright payments for broadcast of their work. "I think our society has been unjust toward our creators," said Masse. "The nation will not be stronger if the creators are poor, and I think we should not be afraid to say that those who succeed should be rewarded." Still, in the current economic climate, many creative people have to wait for their rewards—and content themselves with art for art's sake.

PAMELA WONG on Ontario with NICHOLAS JORDAN and DEANE TORRES on Toronto and BOSS LAYNE on Ontario



Zealous: the Canada Council cannot meet demand

can't close to being "in writing" when the Canada Council cut its funding in half a few years ago. The director has pulled through the crisis, largely because of funding from the Saskatchewan Arts Board he helped create. Still, he admits, "we're having down our operation rather than expanding." Due to economic constraints, the director is presenting

viewers it to determine whether it should be applied to cultural institutions as well as publishers. We not only have a very small market in Canada, we have a small market share. If you take the position that it is not possible to improve your share of your own market, then you will always have to compete by price in the public domain.

On free trade and cultural identity: It's not just free trade between Canada and the United States—it's a larger world approach. The isolation of Canada alone in the world is something of a trap. Borders will neither rise nor fall in the exchange of goods. Technology, perhaps more than treaties, will change the way things are delivered—computers, fibre optics, satellite systems. The question for us in Canada is, should we be in the past or should we accept the immense changes of technology and the world without borders? If we accept that, we'll be ready for the 21st century.

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A PERSONAL COMMITMENT

In its years as communications minister, Jean Masse kept his commitment to public arts personal and meaningful to his office. Indeed, some members of the arts community have expressed concern that Masse is too much of a hand-on minister. When the National Film Board received an Oscar nomination, it was an early sign of his involvement. At the Academy Awards on March 20, Masse accepted the award on behalf of Canada while his 1979 production about Sidney Bechet won. It was the latest of many times that a man who is not afraid of controversy. Last week, Masse discussed his opinions on a variety of cultural issues during an extensive week-long tour.

On his acceptance of the 1979 Oscar at the Academy Awards: Regretful

None at all. The award was not about the film-makers, it was about the institution, which is part of my department. It was a totally normal gesture on behalf of Canadians, who are proud of the film. It would not have changed a single line of the statute. Canadian law to realize that thing we wanted with the cultural affairs of the nation.

On maintaining an artist's-length relationship between government and cultural funding bodies: The principle is correct. Nobody is disputing it—it's in concrete terms. But there has to be harmony between policies developed in Ottawa and policies developed in the provinces. And that has to be the government's responsibility to govern. We have to make sure that what Quebec or Ontario is doing is not exactly the opposite of what Toronto, the Canada Council or the National Film Board is doing. Dialogue, communication has nothing to do with intervention.

On the policy to increase Canadian ownership in book publishing: We're re-

Highway of hope

A native writer seeks the road to redemption

He reads Donne's poetry, plays Chopin on the piano and sprinkles his conversations with references to classical Greek and Latin. Yet he was born in a trailer-fisher's back camp in northern Manitoba and spoke muddy Cree until he was in his teens. Tawana Highway, 37, the author of the award-winning play *The First Sisters* at its recent success, *Dry Laps* (Oxford) is a Kapikung—running in Toronto's Theatre Place

who journey to a bingo game in Toronto. *Dry Laps* turns on a seven men. With names such as Spunky Lacrux (Bibi Cook) and Cree-teen Nineways (David Kinsland), they are a largely comic lot who argue about the local woman's plan to form a hockey team ("Dry Laps oughta move to Kapikung—she's too fat to play hockey"). Above them, on the stage's second level, hovers Nacaband (Doree Lasker). Wearing a series of grotesque



Scene from *Dry Laps*: spiritual analysis, ritual humor

who journey to a bingo game in Toronto. *Dry Laps* turns on a seven men. With names such as Spunky Lacrux (Bibi Cook) and Cree-teen Nineways (David Kinsland), they are a largely comic lot who argue about the local woman's plan to form a hockey team ("Dry Laps oughta move to Kapikung—she's too fat to play hockey"). Above them, on the stage's second level, hovers Nacaband (Doree Lasker). Wearing a series of grotesque

expressed body parts, including gipsies, bonnets and buttocks, she terrifies them with visions of their dreams. But in the play's oddball, darker themes begin to appear. Doree (Rob Hebert) (Donna's character), a mildly retarded young man who has been speculated since early boyhood, reaches an agonizing spiritual crisis. He cannot talk, it becomes clear, because his soul is torn between the beliefs of his ancestors and the Roman Catholicism with which he was raised. Eventually, in his dream, he brutally attacks a pregnant woman. As a result, her daughter is born. Since Starbuck (Doree Lasker), accidentally kills himself with his own rifle

The spiritual malaise underlying that tragedy reflects, said Highway, the plight of Canada's native people: they have abandoned themselves to drift in the alien, commercialized society around them. It is a fate that Highway admits he cannot close to sharing. But instead of ending up in a drink or a suicide, he clings to the safety rope of academic achievement. He made his way through Catholic boarding school in The Pas, Man., and high school and university in Winnipeg. Transferring to the University of Western Ontario in London, he graduated in music and English in 1977 and briefly considered becoming a concert pianist. Instead, he went to work for a series of native support groups around the province. And, in 1981, at the age of 30, he discovered playwriting. From the beginning, he wanted to compose his dramas in Cree before translating them into English, a process that he maintains helps him to extract the best from himself. "When I speak English I think I'm the best," he said, "but when I speak Cree I feel from the group."

Highway claims to be a "hard-core optimist" who believes that native people can overcome their horrendous social problems. The key, he says, is to recover their religious heritage, especially the way of Nacaband, with its deep philosophy and respect for the Earth. He says that Nacaband has something to teach mainstream society as well. "If we could embrace the best of both cultures," he said, "we could create something really beautiful: a society that isn't structured to pollute or breed boredom." It is no wishful vision, but there the author is not interested in any other land.

JUDY HENNER

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- 1 *Shog*, Neal (2)
- 2 *A Prayer for Owen Meany*, Irving (4)
- 3 *Malinche*, Kinsley (3)
- 4 *The Dancers at Time*, Skidmore (3)
- 5 *Cara Bye, Abroad* (2)
- 6 *Wildland*, Thomas (10)
- 7 *The Paganettes*, Kinsley (4)
- 8 *The Tenth Muse*, Kinsley (4)
- 9 *A Season in Hell*, Higgins (4)
- 10 *French Kiss*, Fox (Lasker) (4)

NONFICTION

- 1 *Real History of Texas*, Manning (2)
- 2 *Strong Medicine*, MacLean (3)
- 3 *Seven for Success*, Newman (2)
- 4 *Black Power*, McGinnis (2)
- 5 *Wilderness*, MacLean (10)
- 6 *Love and Marriage*, Kinsley (4)
- 7 *The Struggle for Democracy*, Nelson and Justice (4)
- 8 *The Arctic Quest*, Brown (7)
- 9 *An Affair in Rome*, Kinsley (4)
- 10 *King of Rock*, Foster (4)

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The 'wilding' of the vanities

BY ALLAN FOTHERINGHAM

Every first-time visitor to New York is struck by one thing: It is the blind pursuit of the vanities. The pedestrians on Fifth Avenue, intent on their pursuit of liberation, seem to be willing to walk over their mothers to make it across an intersection. Every trip is a hairy, everyone is male and everyone seems hardened and cynical—the pace of living is the overcrowded, dirty and dangerous town that never sleeps. New York, in short, seems the most unlovable city in the world.

That's why it is news when the blind residents are actually stopped and outraged, pulled out of their head-down pursuit of their delusive goals. The case of the wall pack and the pager has done that. For once, New Yorkers seem to groan: says Meyer Eli Koch, a passerby, calls for reform of the dumb penalty. Editorialists are penitential in piousness turns. The letters to the editor urbane with anger.

A group of marauding kids near Central Park, strong beepers and beeping to no purpose. They are, they explain to police later, "wilding"—wilding is a new word in the New York dictionary, simply going crazy just to get some kicks. A mob of them attacks a 28-year-old woman who is napping alone. The kids as young as 14 and the oldest only 17, punch her, beat her with stones and bricks and a 13-inch metal pipe, gag her, gag-vape her and leave her in the April cold blowing brutally common. It is more that three hours before she is discovered by passers-by. If she lives, she may have suffered permanent brain damage.

The contrast could not be more extreme. The wall pack is from Harlem, which fringes at the north end of the huge, beautiful, lovely island of air that the park gives to the vertiginous life of Manhattan. They are, of course, black and Hispanic. The women, of course, is white. She is the epitome of the marvel of this century—the liberated, educated, professional female who is more free than men. She wears a McKinley one of the most expensive and private of the private schools for girls. She graduated from esteemed high school and was an achievement leader



at the prestigious Salomon Brothers firm on Wall Street.

So the rage. The contrast, actually, is across the city. But New York, the richest city in the world, amplifies and exaggerates the contrast. On Fifth Avenue, which is supposed to be the epitome of society's display of opulence, blind men stand with their tin-caps of pencils. Crippled men beg for quarters. Scruffy men play telephone as hopes for droppings in the music case before them. Take a glimpse to Manhattan, observe the assimilation on her face.

When approached and taken to a police station, the adolescent animals of the wall pack whined at policemen, yoked and sang rap songs in their cells. One of them said the truck was "fun." There was no remorse, no guilt. This is New York.

In Manhattan these days, there is a feeling that they are killing The Queen of the

Street. Lovers, outside every major hotel, outside the Jewish restaurants, outside the theatres, there are the stylish white leopards, seemingly large enough to contain the notes New York. Black-and-white leatherball from Walden dressed to shield who-knows-what hidden pleasures, they display to all passing—Rafael hats or whatever—that here is opulence, publicly displayed, that mere mortals will never scheme.

The leather breeds costs, sold as butlers as they down the streets. The masks, reaching to the arctic, snare past the blind man and the clogged nose and the out-of-control sun man. Gold gloves from neckties and from the wrist and reflects on the gold facade of the Trump Tower, where the town's most conspicuous vulgarities have acted a consultant to himself, just down the street from the most blind beggar.

There is no much contrast in New York, too much excitement for the wall pack who want to get their anger out as some—say—say—say—and not like animals, as some massive women who last the world before her. Then Mella, in her brilliant. The *Smoker of the Raccoon*, had it all out in a manner worthy of Dick, over a finger brother going through hell because a wrong turn resulted in a bad-run on the black dogs of the Bronx.

This is the town where an exceptional plane call from a regular on Central America led to the arrest of Wall Street trader Dennis Levine, who then retired on love. Rosely, who then retired on Michael Milken, the pack lived long at Dorset. Bannan. Lashley, who turns out to have made, in 1987, not only more than \$200 million, but more from the whole Mr. Donald's hamburger world.

close, his annual take, \$200 million.

It's more it's sick, as sick as the wall pack that want not leaving one night because their lives seemed better off. Because of the Reagan budget cuts in the social safety net thousands of border-line cases in mental hospitals have been released to become street people in Manhattan, sleeping on the heating grates that exude steam alongside the curbs where the white strich-lanes sit with the hysterics inside.

The Mella is not the real problem in New York. The real problem is not the disparity between the haves and the have-nots, but that the disparity is so apparent, so flag in the faces every day of those on the bottom and who eventually, not being treated as human, decide to act inhuman. From Albert Borker, one says, "New York/New York! you can make it here! you can make it anywhere." Who wants to?



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